CENTRAL BANK OF NIGERIA ECONOMIC REPORT

First Quarter 2023

ABOUT THE REPORT

The Central Bank of Nigeria (CBN) Economic Report presents economic developments in Nigeria, intended for dissemination to the public. The Report provides insights on current developments in the real, fiscal, financial, and external sectors of the Nigerian economy, as well as on global issues of interest. It also reflects the policy initiatives of the CBN in pursuit of its mandate.

The Report is targeted at a wide range of readers, including economists, policymakers, financial analysts in the government and private sectors, and the public. Free copies of the Report, both current and past issues, can be obtained from the CBN website: www.cbn.gov.ng*. All inquiries concerning the report should be directed to the Director, Research Department, Central Bank of Nigeria, P.M.B. 187, Garki, Abuja, Nigeria.*

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SUMMARY

Global economic activity rebounded in 2023Q1, as supply-chain and inflationary pressures eased. Consequently, the average J.P. Morgan's global composite Purchasing Manager's Index (PMI) increased to 51.73 index points from 48.40 index points in 2022Q4, driven by the expansion in the services sector. Inflationary pressures, though abating, remained elevated, as economic activities were buoyed by the easing of supply-chain bottlenecks in both advanced and emerging market and developing economies, although some grappled with the effect of tight financial conditions. Global equity markets were bullish, on the back of the strong performance of the tech and energy sectors, albeit the turbulence in the US banking sector. In the fixed-income space, the 10-year government bond yield rallied, as prices rose. The average spot price of Nigeria's reference crude, the Bonny Light (34.9° API), fell by 7.8 per cent to US$83.86 per barrel (pb) from US$90.98 pb in the preceding quarter. The prices of Brent, at US$81.75 pb, Forcados at US$84.29 pb, West Texas Intermediate (WTI) at US$77.46 pb and OPEC Reference Basket (ORB) at US$80.55 pb, exhibited similar trend as the Bonny Light.

On the domestic front, the economy grew at a slower pace in 2023Q1, amidst headwinds. The real GDP grew by 2.31 per cent, compared with 3.52 per cent in 2022Q4, driven by the 2.77 per cent growth in non-oil sector. However, the growth outcome was dragged by the 4.21 per cent contraction in the oil sector, despite the renewed effort to tackle vandalism and crude oil theft, which boosted crude oil production to 1.28 million barrels per day (mbpd) from 1.15 mbpd produced in 2022Q4. Inflation remained elevated, as headline inflation rose to 22.04 per cent, compared with 21.34 per cent in 2022Q4. Core inflation inched to 19.86 per cent, compared with 18.49 per cent in the preceding quarter, due to an increase in the cost of imported and locally manufactured goods. Food inflation also rose to 24.45 per cent from 23.75 per cent in the preceding quarter, following increased demand pressures.

The fiscal operations of the FGN resulted in a wider overall deficit, on account of lower oil receipts. The estimated retained revenue of the FGN fell by 10.7 per cent, to ₦1,342.15 billion from the level in 2022Q4. Oil receipts declined by 3.0 per cent and 43.5 per cent, relative to 2022Q4 and quarterly target, while non-oil receipts, improved over the preceding quarter by 1.2 per cent, but was 9.6 per cent below the quarterly target. In the same vein, provisional aggregate expenditure of the FGN declined by 1.3 per cent and 36.0 per cent, relative to 2022Q4 and the quarterly budget, respectively. Consequently, the FGN overall deficit widened by 9.6 per cent relative to 2022Q4 but narrowed by 22.1 per cent when compared with the proportionate budget. Total public debt outstanding as at end-December 2022 was ₦46,250. 37 billion (22.8 per cent of GDP), remained within the statutory threshold.

The financial system was resilient, on the back of sustained supervision and implementation of prudential guidelines, ample liquidity and positive investors' sentiment. Banking system liquidity increased, resulting in decreased activity in the standing lending facility (SLF) window, increased subscription in both the Nigerian Treasury Bills (NTBs) and Federal Government of Nigeria(FGN) bonds segments, and credit expansion to key sectors of the economy. The broad money supply (M3) grew by 4.8 per cent at the end of March 2023, owing to increase in both net foreign and domestic assets. Activity on the Nigerian Exchange (NGX) Limited was bullish, arising from strong buying interest in the equities market occasioned by positive 2022 full year corporate dividend/earnings declaration.

Uncertainties surrounding the general elections in Nigeria exerted pressure on the external sector, as the overall balance of payments deficit widened. The current account posted a surplus of US$2.49 billion, buoyed by positive trade performance. Capital reversal of US$0.78 billion was recorded in 2023Q1, in contrast to an inflow of US$1.94 billion in 2022Q4, reflecting in part, the policy normalisation by the Advanced Economies and uncertainties surrounding the country's general elections. Aggregate financial assets recorded a disposal of US$1.30 billion, in contrast to an acquisition of US$1.09 billion in 2022Q4. The international reserves at US$35.14 billion was equivalent to 6.68 months of import for goods and services or 9.01 months for goods only. The average exchange rate of the naira per US dollar at the I&E window was ₦460.93/US$, compared with ₦445.71US$ in 2022Q4. The international investment position recorded a net financial liability of US$76.62 billion. Public sector external debt stock and external debt service payment at end-December 2022 stood at US$41.69 billion and US$0.80 billion, respectively.

The global outlook for growth in 2023 remains uncertain, on account of tight financial conditions, geo-economic fragmentation, and macroeconomic uncertainties that continued to trail the Russia-Ukraine War. Thus, the IMF revised global growth projection to 2.8 per cent in 2023 from an estimated 3.4 per cent in 2022. Domestic growth outlook remains positive in the near-term, despite headwinds. The recovery of crude oil prices, increased crude oil production, rebound in consumer demand and sustained policy support formed the basis for the optimism.

1.0 GLOBAL ECONOMIC DEVELOPMENTS

Summary

Global economic activity rebounded in 2023Q1, propelled by easing of supply-chain and inflationary pressure, and the reopening of Chinese economy resulting in marked expansion in services and employment levels across regions. Also, inflationary pressure moderated in most economies on the back of easing food and energy costs as well as the crystallisation of tight monetary policy stance. The cooling off of inflation, receding fears of a possible recession in the Advanced Economies, and strong performance of tech and energy sectors led to improvement across the different financial market segments. Crude oil prices fell, due to increased crude oil supply and investors' pessimism owing to uncertainties in the US banking sector.

1.1 Global Economic Activity

Global Economic Conditions

Global economic activity rebounded in 2023Q1 as supply-chain and inflationary pressure eased. Consequently, the average J.P. Morgan's global composite Purchasing Manager's Index (PMI), stood at 51.73 index points from 48.40 index points in 2022Q4. The increase in output was supported by significant expansion in the services sector. Specifically, price pressure eased as the input prices index fell to 59.80 points from 62.27 points, and the output prices index fell to 55.07 index points from 55.77 index points. Employment level index also expanded to 51.30 index points from 48.93 index points in the preceding quarter as firms recruit more workers to meet the increasing new business orders.

Table 1: Global Purchasing Managers' Indices (PMIs)

	2022Q4	2023Q1
Composite Index	**48.40**	**51.73**
Employment Level	48.93	51.30
New Business Orders	48.50	51.23
New Export Business Orders	50.60	48.37
Future Output	59.83	64.33
Input Prices	62.27	59.80
Output Prices	55.77	55.07
Manufacturing Index	**48.93**	**49.53**
Services (Business Activity) Index	**48.47**	**52.33**
New Business	48.77	52.13
New Export Business	47.70	50.20
Future Activity	60.43	65.00
Employment	50.73	51.57
Outstanding Business	48.50	50.33
Input Prices	63.47	61.40
Prices Charged	55.77	55.37

Source: J.P Morgan

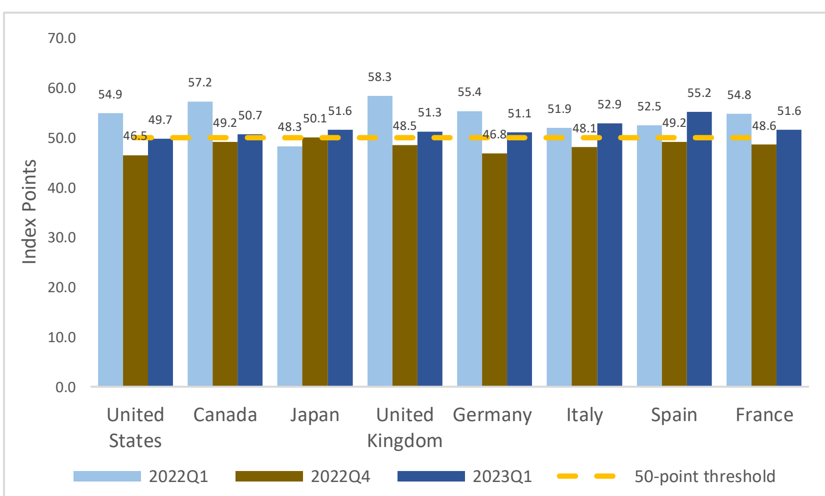
The services sector expanded to 52.33 index points from 48.47 index points in the preceding period, driven by new business, new export business, and future activity. In contrast, the manufacturing sector remained in contractionary territory, as the average manufacturing PMI rose, albeit marginally, to 49.53 index points from 48.93 index points in the preceding quarter.

Economic activity in Advanced Economies

In the Advanced Economies (AEs), economic activities were buoyed by the softer pace of inflation and easing supply-chain bottlenecks. In the UK, output expanded as the PMI rose to 51.27 index points from 48.50 index points in the preceding quarter, reflecting higher consumer spending and business investment on account of lower prices. Similarly, economic activities in Europe remained resilient during the quarter, as expansion was recorded across most European countries, given the broad decline in food and energy prices. Consequently, the PMI levels rose to 51.07 index points, 52.87 index points, 55.2 index points and 51.6 index points in Germany, Italy, France and Spain, respectively. Similarly, higher demand pushed Japan's PMI to 51. 57 index points from 50.1 index points, in the preceding period.

Nonetheless, in the US, economic activities contracted due to tight financial conditions, resulting in lower consumer and investment spending, thus, dampening activities in the manufacturing and services sectors. Consequently, the average composite PMI rose to 49.73 index points from 46.5 index points in 2022Q4.

Figure 1: Selected Advanced Economies' PMIs



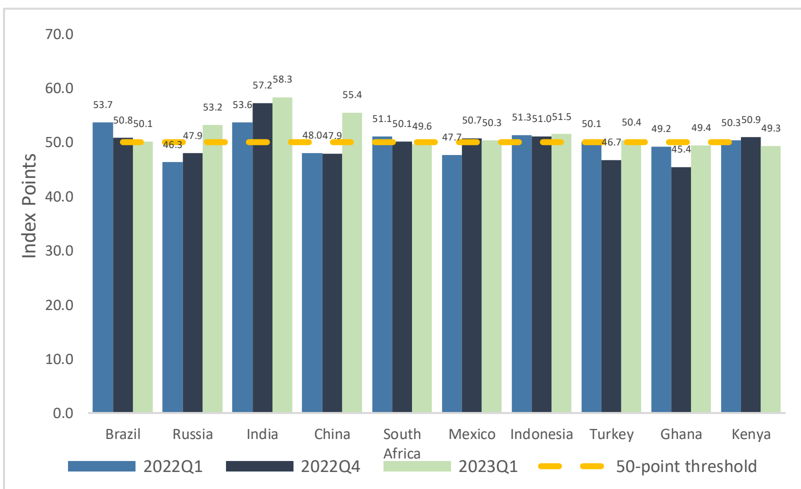
Source: Trading Economics/Various countries' websites

Economic activity in EMDEs

The performance of the Emerging Markets and Developing Economies (EMDEs) was mixed, as some economies grappled with tight financial conditions. Notably, economic activities expanded in China as manufacturing and business activities rose, following the reopening of the economy. Thus, the PMI rose to 55.43 index points from 47.90 index points in the preceding quarter. Also, the PMI in India rose to 58.3 index points from 57.20 index points, as factory activities picked up, given a rise in new business orders and export. In Turkey, despite the negative effects of the earthquakes on economic activities, output remained resilient, supported by domestic and international policies. This resulted in an expansion of the PMI to 50.37 index points from 46.70 index points in the preceding quarter.

In South Africa, the PMI contracted to 49.63 index points from 50.10 index points, owing to power cuts and supply shortages, while weak consumer demand in Kenya, contributed to the fall in the PMI to 49.27 index points from 50.90 index points, in the preceding quarter. The PMI in Ghana, at 49.43 index points, reflected a softer pace of contraction from 45.43 index points, owing to relatively high consumer prices and production costs.

Figure 2: PMI in Selected EMDEs



Source: Trading Economics/Various countries' websites.

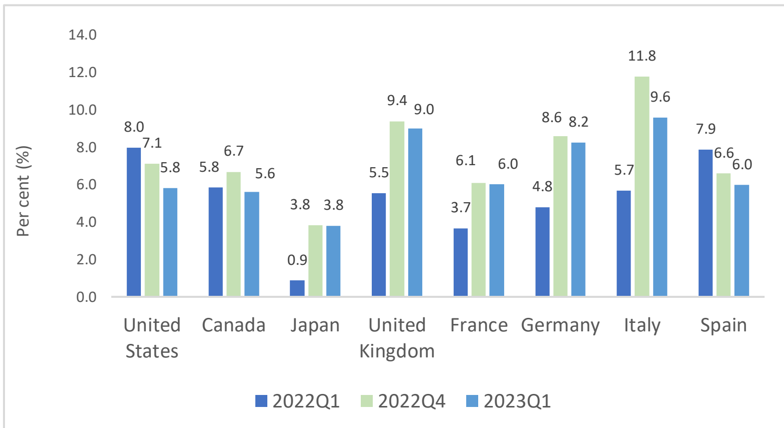
1.2 Global Inflation

Advanced Economies

Inflationary pressure, though abating, remained elevated. Headline inflation moderated due to monetary policy tightening, lower crude oil prices, and weaker consumer demand. In most Advanced Economies, headline inflation declined, driven by lower energy and food prices, persistent monetary policy tightening, and the easing of global supply chain disruptions. In the US, inflation moderated to 5.81 per cent from

7.10 per cent in 2022Q4, due to lower food and energy prices and the culminating effect of several policy rate hikes. Similarly, in Canada, headline inflation fell to 5.59 per cent from 6.67 per cent in 2022Q4, following a sustained tight monetary policy stance and lower crude oil prices. In the euro area, average inflation fell in France, Italy, Spain and Germany to 6.00, 9.56, 5.96 and 8.24 per cent, induced by lower cost of food, energy, transportation and housing. Inflation eased in the UK to 9.00 per cent from 9.37 per cent in 2022Q4, owing to reduced cost of transport, gasoline, housing and furniture. Likewise, in Japan, inflation moderated to 3.80 per cent from 3.83 per cent in 2022Q4.

Figure 3: Inflation Rates in Selected Advanced Economies

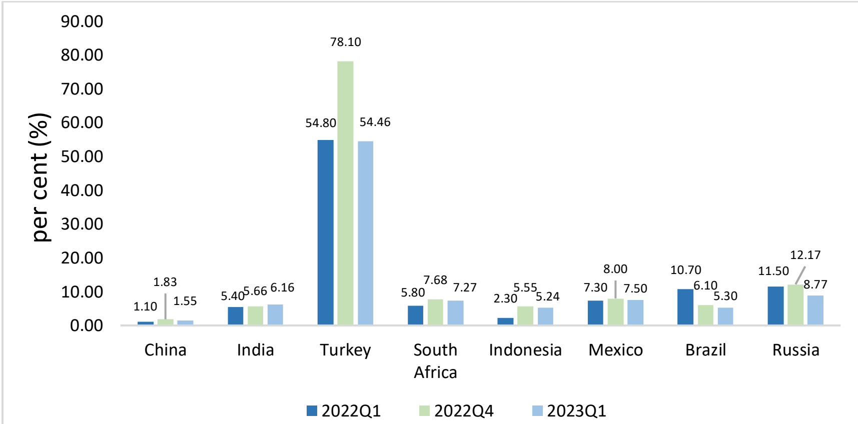


Source: OECD, Trading Economics

Emerging Markets and Developing

In Emerging Markets and Developing Economies (EMDEs), inflation moderated due to lower food prices. China's inflation rate fell to 1.55 per cent from 1.83 per cent, in the preceding period, driven by a slowdown in the cost of food. In South Africa, consumer prices fell to 7.27 per cent from 7.68 per cent in the preceding quarter, due to moderation in transport, energy and food prices. Inflation declined in Indonesia to 5.24 per cent from 5.55 per cent in 2022Q4, driven by lower cost of food and transport. In Turkey, inflation remained substantially elevated at 54.46 per cent, nonetheless gradually moderating due to declining costs of transportation, housing and utility. Largely, due to the base effect on account of the Russia-Ukraine war, inflation in Russia fell significantly to 8.77 per cent from 12.17 per cent in 2022Q4. Contrarily, in India, retail prices edged up to 6.16 per cent from 5.66 per cent in 2022Q4 due to higher food prices.

Figure 4: Inflation Rates in Selected EMDEs



Source: OECD, Trading Economics and Staff Computations

1.3 Global Financial Markets Development

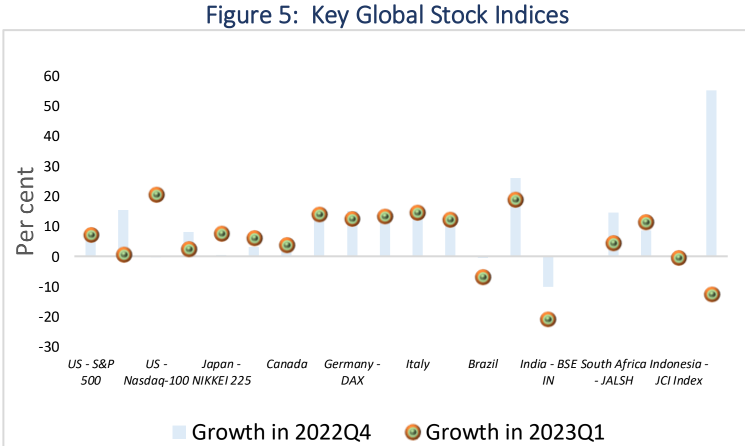
Global financial conditions eased, despite a tight monetary policy stance, as fears of a possible recession in the Advanced Economies ebbed and inflation softened. Global equities were bullish during the quarter on the back of the resilience of the tech and energy sectors, overcoming the turbulence in the banking sector. In the fixed-income space, the 10-year government bond yield rallied, as prices rose while the yield fell. Equity markets in North America, Europe, and Japan notched up at the end of the quarter. Specifically, in the US markets, the NASDAQ, S&P 500 and Dow Jones rose by 20.5, 7.0 and 0.4 per cent, respectively, with strong performance in tech stocks. This was attributed to the swift containment of systemic risk associated with the collapse of Silicon Valley Bank, which swayed market confidence, amid optimism that the Fed would halt interest rate hikes. In Canada, the S&P/TSX rose by 3.7 per cent, driven by the gains recorded in information technology, due to improved investor optimism. Similarly, the EURO STOXX 50 rose by 13.8 per cent, buoyed by a strong recovery of domestically focused sectors, following the release of data showing that the economy was performing better than earlier forecast.

The lead indices of the Spanish, Italian, French and German stock markets rose by 12.2, 14.4, 13.1 and 12.5 per cent, respectively. Gains were driven, mainly, by the information technology, consumer discretionary stocks and communication services sectors. The UK FTSE-100 also gained 2.4 per cent, owing to greater market optimism, as the economy performed better than expected. In Japan, the depreciation of the yen buoyed market sentiment for export-based companies. Consequently, the NIKKEI 225 and TOPIX gained 7.5 and 5.9 per cent, respectively.

Within the EMDEs, performance of equity markets was mixed. Mexico's MEXBOL index inched up by 11.2 per cent, owing to improved economic data that spurred confidence in the economy. Renewed optimism following the reopening of the economy and the easing of regulatory pressure on Internet services led to a rise in the Chinese Shanghai Stock Exchange-A by 7.2 per cent. The South African JSE All-Share Index rose by 4.2 per cent, propelled by gains in financials, tech and resource-link areas.

On the flip side, some equity markets dipped during the quarter. The Brazilian BOVA11 BZ fell by 7.0 per cent, as investors cautiously assessed the new administration's plan for the economy. India's BSE and the Turkish BORSA Istanbul 100 indices fell by 20.9 and 12.8 per cent, respectively. The plunge in India's equity market was triggered, largely, on account of alleged unethical practices against a major business conglomerate in the country. Equities declined in Turkey as investors fret over the uncertainty associated with the presidential elections, amid the devastation caused by the February earthquake.

Figure 5: Key Global Stock Indices

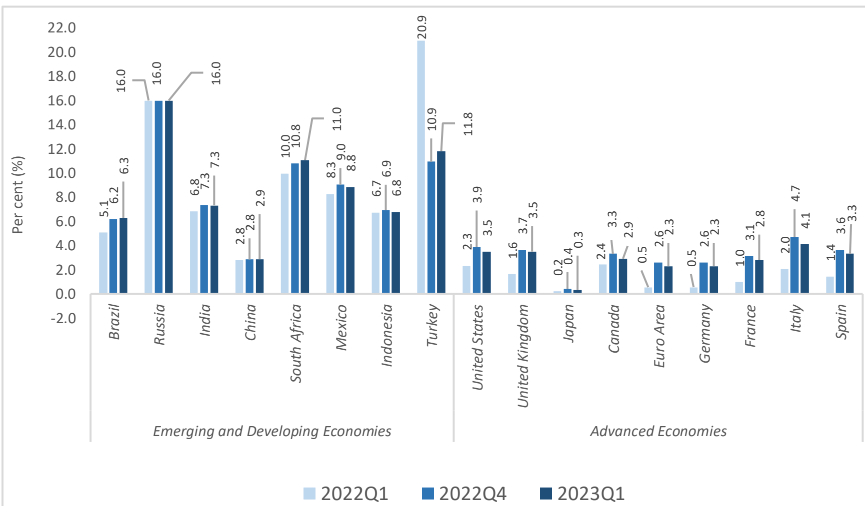


Source: Bloomberg.

Long-term government treasury bond yields fell in most advanced and emerging economies. Thus, their prices rose, influenced by the expectation of a slowdown in monetary policy rate hikes in several economies. In the US and Canada, the 10-year Treasury yield dropped to 3.47 and 2.90 per cent, respectively, from 3.88 and 3.30 per cent, in the preceding quarter. Similarly, in the UK and the euro area, the 10-year government bond yield dropped to 3.49 and 2.29 per cent from 3.66 and 2.57 per cent, respectively.

Within the EMDEs, the 10-year bond yields exhibited mixed developments. For instance, in Mexico and India, the yield fell by 0.18 and 0.02 percentage point to 8.84 and 7.31 per cent, respectively, from their levels in the preceding quarter. The decline was due, mainly, to rise in subscription by foreign investors. In Indonesia, the 10-year government bond yield declined to 6.77 per cent from 6.92 per cent in 2022Q4. However, the 10-year bond yield in China rose marginally by 0.01 percentage point to 2.85 in 2023Q1, following investor optimism on the reopening of the economy. Similarly, bond yields in Brazil, Turkey and South Africa rose to 6.27, 11.79 and 11.04 per cent from 6.17, 10.92 and 10.79 per cent, respectively.

Figure 6: 10-year Government Bond Yields for Selected Countries

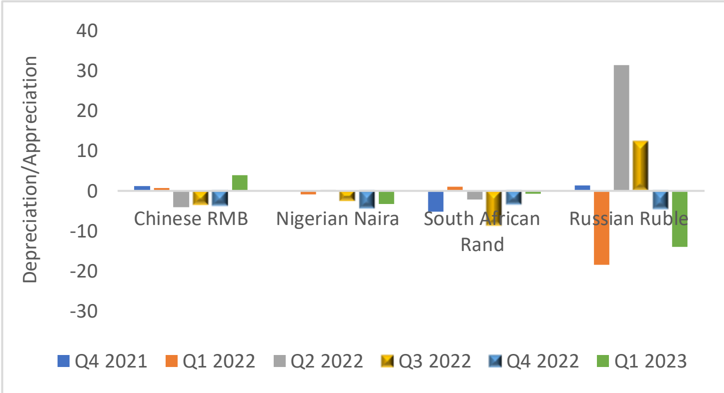


Source: Bloomberg

Naira against Emerging Market

Selected emerging market currencies depreciated against the US dollar during the review period. The Russian ruble and South African rand depreciated by 14.0 and 0.8 per cent, respectively, relative to their levels in the preceding quarter. The depreciation of the Russian ruble was due to lower sales of foreign exchange by exporters, while the depreciation of the South African rand was due to a firmer U.S. dollar and strong U.S. labour data. In contrast, the Chinese RMB appreciated by 3.9 per cent based on a bullish economic recovery outlook.

Figure 7: EMEs Currency Values to the US dollar



Sources: Central Bank Nigeria & Reuters

Table 2: EMEs Currency Rates to the US dollar

	Chinese RMB	Nigerian Naira	South African Rand	Russian Ruble
2022Q1	6.35	416.34	15.23	88.83
2022Q4	7.11	445.71	17.62	63.03
2023Q1	6.85	460.93	17.76	73.3

Sources: Central Bank of Nigeria & Reuters

1.4 Global Commodity Market Developments

World Crude Supply and Demand

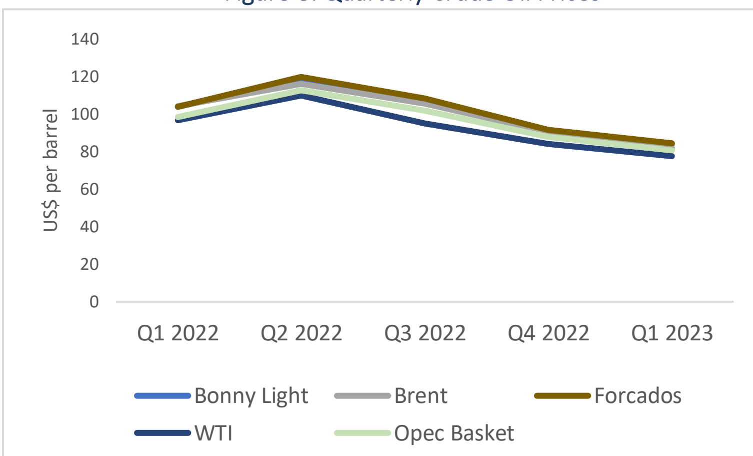
Total world crude oil supply declined as OPEC+ maintained its decision to adjust downward the overall production by 2.0 mbpd. Total world crude oil supply declined by 1.06 per cent to 100.11 mbpd in 2023Q1, compared with 101.18 mbpd in the preceding quarter. The fall in world crude oil supply was due, largely, to lower supply from non-OECD countries, particularly OPEC. Non-OECD supply declined by 1.99 per cent to 66.50 mbpd, from 67.85 mbpd in 2022Q4. However, total OECD supply rose by 0.87 mbpd to 33.61 mbpd in 2023Q1, from 33.32 mbpd in the preceding quarter.

OPEC's crude oil supply fell by 1.6 per cent to 28.46 mbpd in 2023Q1, from 28.92 mbpd in the preceding quarter. The decline was due, mainly, to member countries' compliance with the OPEC+ decision to reduce production by 2.0 mbpd, starting in November 2022. On the demand side, world crude oil demand rose by 0.3 per cent to 10.34 mbpd in 2023Q1, from 101.00 mbpd in the preceding quarter. The rise was on account of increased demand from China and India.

Crude Oil Prices

Crude oil spot prices fell, due to uncertainties in the US banking sector. The average spot price of Nigeria's reference crude oil, the Bonny Light (34.9° API), fell by 7.8 per cent to US$83.86 pb in 2023Q1, from US$90.98 pb in the preceding quarter. The prices of Brent at US$81.75 pb, Forcados at US$84.29 pb, West Texas Intermediate (WTI) at US$77.46, pb and OPEC Reference Basket (ORB) at US$80.55 pb, all exhibited similar trends as the Bonny Light. The decline in crude oil prices was due, largely, to investors' pessimism arising from fears that the collapse of some US banks would have a wider systemic impact on US demand for crude oil.

Figure 8: Quarterly Crude Oil Prices



Source: Reuters

Agricultural Commodity Prices

Developments in agricultural prices were mixed in the first quarter of 2023. At 123.6 index points (January 2010=100), the All Commodities Index was 0.9 per cent higher than its level in the preceding quarter. The increase in the overall index was driven, largely, by the rise in the prices of cocoa, rubber and coffee by 11.0, 6.9 and 6.3 per cent, respectively. The rise in the prices of the commodities was on account of inclement weather and labour shortages that affected supply in major producing countries. Conversely, the prices of wheat, cotton and soya beans decreased by 8.2, 2.2 and 0.8 per cent, respectively, on the back of ample supply by leading exporters of the commodities.

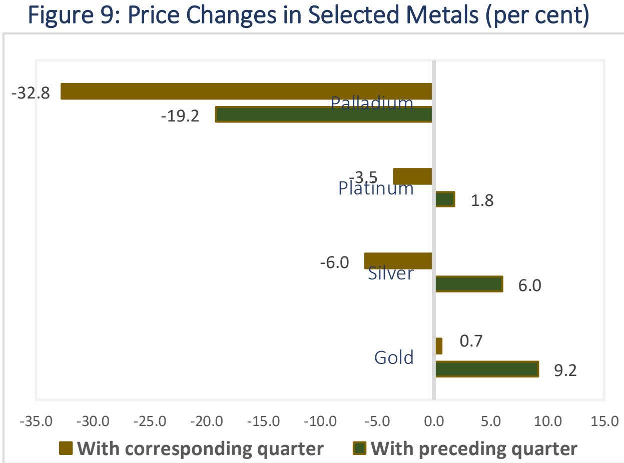
Table 3: Indices of Average World Prices of Nigeria's Major Agricultural Export Commodities for 2023Q1 (in dollars; Jan. 2010=100)

Commodity	2022Q1/a	2022Q4/a	2023Q1/b	% Change	
				(1) & (3)	(2) & (3)
	1	2	3	4	5
All Commodities	***141.2***	***122.5***	***123.6***	***-12.5***	***0.9***
Cocoa	*70.7*	*68.4*	*75.9*	*7.3*	*11*
Cotton	*177.3*	*129.8*	*127*	*-28.3*	*-2.2*
Coffee	*153.8*	*137.2*	*145.8*	*-5.2*	*6.3*
Wheat	*207.3*	*206.6*	*189.7*	*-8.5*	*-8.2*
Rubber	*58.3*	*42.9*	*45.8*	*-21.5*	*6.9*
Groundnut	*123.8*	*136.6*	*143.6*	*16*	*5.1*
Palm Oil	*186.3*	*111.3*	*114.9*	*-38.3*	*3.2*
Soya Beans	*152.1*	*146.9*	*145.8*	*-4.1*	*-0.8*

Sources: (a) World Bank Pink Sheet (b) Staff Estimates.

Average spot prices of gold, silver and platinum increased, following increased demand for precious metals. The average spot prices per ounce of gold, silver and platinum rose by 9.2, 6.0 and 1.8 per cent to sell at US$1,890.51, US$22.57 and US$990.62, from US$1,731.77, US$21.29 and US$972.92, respectively, in the preceding quarter. The increase in the prices of the precious metals was due to higher demand for the metals as safe haven assets, due to the banking crisis in the US. However, the price of palladium declined by 19.2 per cent to sell at US$1,563.44 per ounce, from US$1,934.29 per ounce in the preceding quarter. The price of the palladium declined due to falling demand from the auto industry, following the increasing shift to the production of electric vehicles, and the substitution of platinum in the industry.

Figure 9: Price Changes in Selected Metals (per cent)



Source: Refinitiv Eikon IV (Reuters).

1.5 Monetary Policy Stance

Monetary policy tightening continued in the quarter, as most central banks continued to raise benchmark rates to rein in inflation. The US Federal Reserve raised policy rates by 33 basis points to 4.83 per cent, during the quarter, as inflation remained elevated and labour market conditions remained tight. Also, the Bank of England and the European Central Bank raised interest rates twice during the quarter. While the former hiked the rate by 50 bps and 25 bps, the latter maintained a more hawkish stance, hiking by 50 bps in each instance. Similarly, the Bank of Canada increased its rate by 25 bps to 4.50 per cent and signalled a pause in monetary tightening as inflationary pressures eased. In India, the hiking cycle continued as the Reserve Bank increased its key policy rate to 6.50 per cent. The Bank of Mexico also increased its policy rate by a cumulative 75 basis points to 11.25 per cent.

However, the Central Bank of Turkey sustained an accommodative stance to ease financial conditions as the authorities continued to favour unorthodox monetary policy measures. Consequently, the repo rate was lowered by 50 bps during the quarter. On the other hand, the central banks of Brazil, Russia and China left their policy rates unchanged at 13.75 ,7.50 and 3.65 per cent, respectively. Japan also retained its policy rate at -0.10 per cent.

Table 4: Central Bank Policy Rates (per cent)

Country	2022Q3	2022Q4	2023Q1
United States	3.25	4.50	4.83
United Kingdom	2.25	3.50	4.25
Japan	-0.10	-0.10	-0.10
Canada	3.25	4.25	4.50
Euro Area	1.25	2.50	3.50
China	3.65	3.65	3.65
India	5.90	6.25	6.50
Mexico	9.25	10.50	11.25
Indonesia	4.25	5.50	5.75
Turkey	12.00	9.00	8.50
Brazil	13.75	13.75	13.75
Russia	7.75	7.50	7.50
South Africa	6.25	7.25	7.75

Source: Various Central Banks' websites

2.0 DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

Summary

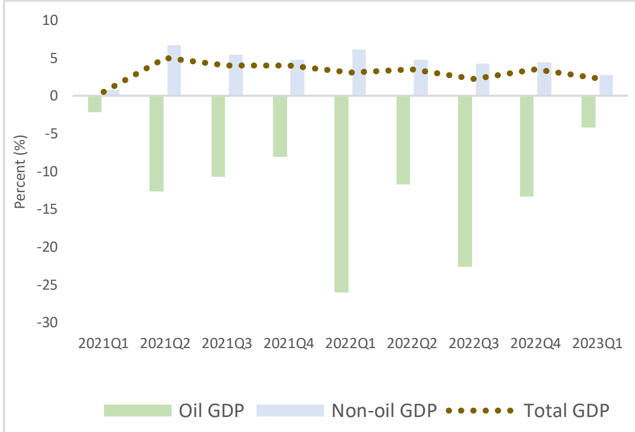
The economy grew at a slower pace in 2023Q1, driven mainly by activities in the non-oil sector. Growth was driven by election-related expenditures which fueled economic activities, though constrained, mainly, by supply shocks that accompanied the currency redesign exercise, amid other headwinds. Headline inflation surged further on account of higher energy prices and limited access to cash that exacerbated supply shocks.

Domestic Output and Economic Activities

The economy was characterised by an increased push by the fiscal authorities to ramp up the stock of infrastructure in the country in 2023Q1, given the transition to a new democratic regime. Aggregate demand was spurred by election-related expenditure, thus, supporting growth in the quarter. However, supply bottlenecks, caused mainly by the Russia-Ukraine crisis, and supply shocks that accompanied the currency redesign exercise, amid other headwinds, slowed the pace of growth in the quarter.

Consequently, real GDP grew by 2.31 per cent in 2023Q1 (year-on-year), compared with 3.52 per cent in 2022Q4, driven by the non-oil sector, which grew by 2.77 per cent. However, growth was dragged by the oil sector, despite the modest improvement recorded in the sector. The oil sector contracted by 4.21 per cent, compared with a contraction of 13.38 per cent in the preceding quarter. The lower contraction was on account of renewed efforts to tackle vandalism and crude oil theft, which supported increased crude oil production to 1.28 million barrels per day from 1.15 mbpd produced in 2022Q4. However, persisting infrastructural and security challenges continued to weigh on the sector's output.

Figure 10: Real GDP Growth Rate, 2021Q1-2023Q1, Year-on-Year

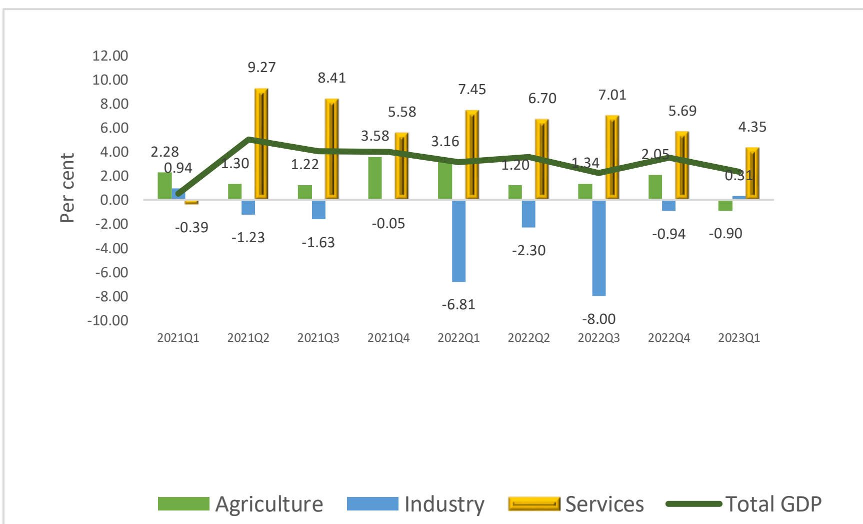


Source: National Bureau of Statistics

2.1.1 Sectoral Performance

The Services and Industry sectors grew, while the agricultural sector contracted. The services sector continued to drive growth, contributing 2.44 percentage points to the realised growth. The sector grew at a slower pace by 4.35 per cent in 2023Q1, compared with 5.69 per cent in 2022Q4.

Figure 11: Sectoral Growth Rate of Real GDP, 2021Q1-2023Q1



Source: National Bureau of Statistics

Within the Services sector, Information & Communications, Financial & Insurance, Trade and Transport & Storage subsectors drove overall growth, contributing 1.67, 0.92, 0.21 and 0.10 percentage points, respectively. The sub-sectors grew by 10.32, 21.37, 1.31 and 9.36 per cent, respectively. The growth witnessed in the various sub-sectors, particularly in the ICT sub-sector was due majorly to the increasing number of internet service subscribers, mobile service subscribers, and the growth in broadband penetration. Also, the effect of the electioneering-induced transport activities, and the increased patronage of fintech services due to the currency redesign policy, contributed to the growth in the Services sector.

The Agricultural sector contracted by 0.90 per cent, compared with a growth of 2.05 per cent in the preceding quarter, on account of the large decline in livestock production. This was occasioned by the persisting security challenges affecting cattle husbandry, and the limited access to cash that dominated the quarter, thereby, constraining economic activities, since most of the activities within the sector are cash-driven, particularly in the livestock subsector. Thus, livestock and fishery sub-sectors contracted by 30.57 and 2.92 per cent, compared with a contraction of 1.59 and 3.02 per cent in 2022Q4, respectively. However, crop production and forestry subsectors grew at a slower pace by 1.93 and 1.24 per cent, compared with 2.41 and 1.63 per cent in 2022Q4, respectively.

Industry sector performance improved, as it grew by 0.31 per cent in 2023Q1, in contrast to a contraction of 0.94 per cent in 2022Q4. Growth was witnessed in Manufacturing (1.61 per cent), Electricity (9.53 per cent), Water supply (5.57 per cent) and construction (3.27 per cent) sub-sectors, compared with a growth of 2.83, 15.22, 8.81 and 3.80 per cent, respectively in the preceding quarter. The performance of the sub-sectors was on account of the combined effects of continued policy support to the industry sector, as well as an uptick in investments in infrastructure which spurred activities in the sector, especially manufacturing.

Specifically, the slower growth of the Electricity sub-sector was on account of low water levels at the hydro generation plants, technical faults, and shutdown for upgrade and maintenance of generation, transmission and distribution networks. The development led to a decrease in the average volume of electricity generated and consumed in the quarter by 5.3 and 1.4 per cent to 3,984.6 MW/h and 3,256.9 MW/h, respectively, from the levels in the preceding quarter.

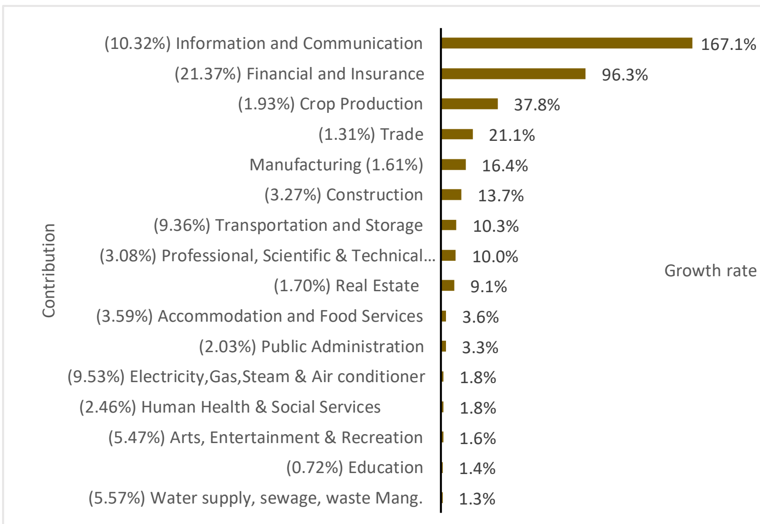
Though the Mining and Quarrying sub-sector remained in the contraction region, there was an improvement as the contraction narrowed to 3.96 per cent from a contraction of 11.39 per cent in the preceding quarter.

The Index of Industrial Production (IIP), a measure of industry performance, indicated a similar performance for Industry. The index, at

101.8 index points (2010=100), increased by 15.2 per cent, compared with 88.4 index points in the preceding quarter. This was majorly attributed to improvements in mining and manufacturing activities. Similarly, at 205.3 index points (2010=100), the Index of Manufacturing Production rose by 8.0 per cent, compared with 190.1 index points in 2022Q4, due partly to improved demand, notably in the food, beverages and tobacco subsectors, following the 2023 general elections. Thus, manufacturing capacity utilization rose by 1.2 percentage points to 56.4 per cent in 2023Q1, relative to the preceding quarter.

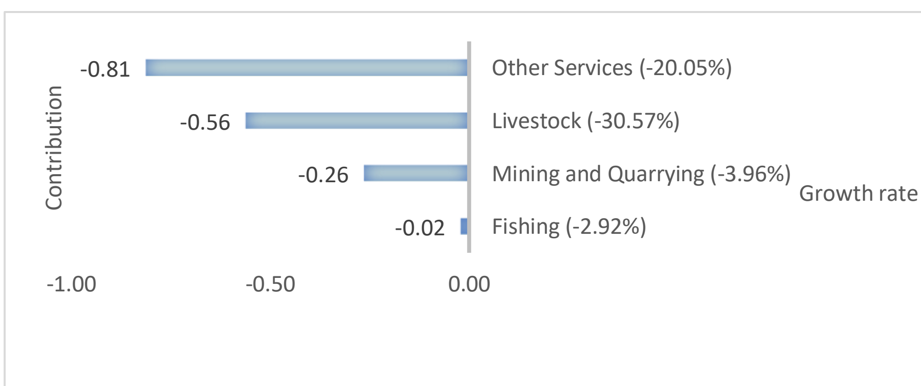
The performance of sub-sectoral activities showed that 18 sub-sectors witnessed growth, while 4 sub-sectors contracted.

Figure 12: Top 16 Contribution of Subsectors to GDP and Growth Rates, 2023Q1



Source: National Bureau of Statistics

Figure 13: Least Contributing Subsectors to GDP and Growth Rates, 2023Q1



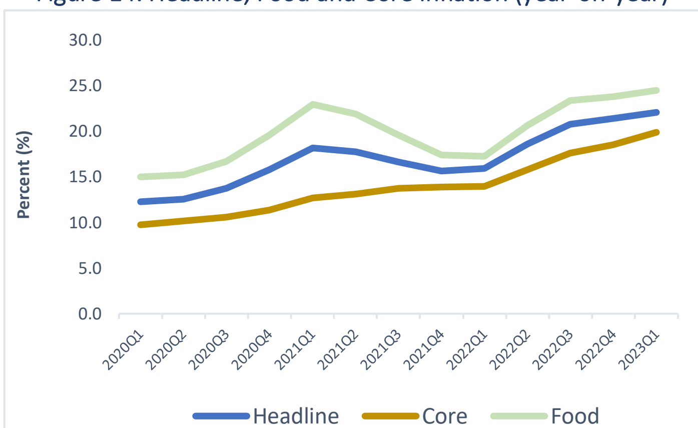
Source: National Bureau of Statistics

2.1.2 Consumer Prices

Headline Inflation

Headline inflation remained elevated, following increase in both food and non-food components of the CPI basket. The rise was due to persisting high energy, especially Petroleum Motor Spirit (PMS) and other input costs, which impacted negatively on production, transport and logistics costs. Also, limited access to cash constrained economic activities, particularly, small and medium enterprises (SMEs), thus, driving further increase in price. Consequently, headline inflation (year-on-year) rose to 22.04 per cent in 2023Q1, compared with 21.34 per cent in 2022Q4.

Figure 14: Headline, Food and Core Inflation (year-on-year)



Source: NBS and Staff Estimates

Core Inflation

Core inflation inched up to 19.86 per cent in 2023Q1, compared with 18.49 per cent in the preceding quarter. The rise was attributed to the continuous increase in the cost of imported and locally manufactured goods, due to the pass-through effect of high global inflation, tighter economic conditions, exchange rate constraints, higher energy and input costs, as well as other structural factors.

Food Inflation

Food inflation also rose by 24.45 per cent from 23.75 per cent in the preceding quarter. The rise was due, largely, to demand pressures amid supply constraints, which led to increase in the prices of both imported and processed foods. Also, the ripple effect of higher energy prices and increased transportation/logistics costs contributed to the rise in food inflation.

2.1.3 Socio-Economic Developments

Transportation

The Federal Executive Council (FEC) approved ₦95.80billion for the dualisation of Akure/Ita Ogbolu-Iju/Ado-Ekiti Road, linking Ekiti and Ondo states. The first section of the road project on the Ondo side was awarded at the cost of ₦46.60billion, while the balance of ₦49.20billion would be expended on the second section of the project from the Ekiti state border.

Furthermore, BUA Group received approval from the Federal Government to construct four major roads worth ₦330.00billion under the Federal Government Infrastructure Tax Credit Scheme (Executive Order 7). The roads to be constructed are Kosubosu-Kaiama-Bode Saadu highway (130km); Bacita-Shonga-Lafiagi highway (83km); Eyenkorin-Afon-Offa-Odo Ottin highway (49km); and Okuta-Bukuro Road (32km) which connects to Benin Republic. The projects upon completion will facilitate the movement of goods and people, especially agricultural produce, with huge potentials for economic development and food security.

Educatio

The Federal Government approved the sum of ₦320.34billion as intervention fund to public tertiary institutions across the country. To this end, the sum of ₦1.15billion will be disbursed to each university. This comprises ₦954.70million as annual direct disbursement and ₦200.00million as zonal intervention. Similarly, each polytechnic would recieve ₦699.30million, comprising ₦569.30million as annual direct disbursement and ₦130.00million as zonal intervention. Furthermore, each college of education would recieve ₦800.00million, comprising ₦670.00million as annual direct disbursement and ₦130.00million as zonal intervention.

2.1.4 Domestic Crude Oil Market Developments

Crude Oil Production

Domestic crude oil production and export rose, because of increased pipeline surveillance. Nigeria's average crude oil production and export rose by 11.3 and 18.6 per cent to 1.28 mbpd and 0.83 mbpd in 2023Q1, from 1.15 mbpd and 0.70 mbpd, respectively, in the preceding quarter. The rise in crude oil production and export was due to increased surveillance of the country's pipeline infrastructure, which curtailed incidences of crude oil theft and sabotage. However, the production level fell short of the OPEC quota of 1.742 mbpd, by 462,000 bpd on account of continued technical, infrastructural and persisting security challenges.

2.2 FISCAL SECTOR DEVELOPMENTS

Summary

The fiscal performance in 2023Q1 was impaired by low oil revenue realisation. Consequently, the retained revenue of the FGN fell by 10.7 per cent, relative to 2022Q4, and was 46.1 per cent below the quarterly target. FGN aggregate expenditure also declined by 1.3 and 36.0 per cent, relative to the preceding quarter and the quarterly target, respectively. Thus, the FGN overall deficit widened relative to 2022Q4, but narrowed by 22.1 per cent when compared with the proportionate budget. Consolidated public debt, as at end-December 2022, stood at ₦46,250.37billion (or 22.8 per cent of GDP).

2.2.1 Federation Account Operations

Federation Account earnings declined, due to lower-than-anticipated receipts from both oil and non-oil revenue sources. At ₦3,478.79billion, gross federation revenue fell below the levels in 2022Q4 and the budget benchmark by 0.4 and 26.6 per cent, respectively. Non-oil revenue continued to dominate Government revenue, accounting for 61.4 per cent, while oil receipts accounted for 38.6 per cent.

Oil revenue, at ₦1,341.12billion, declined by 3.0 and 43.5 per cent, relative to 2022Q4 and quarterly target. The subpar performance was indicative of revenue shortfalls from Petroleum Profit Tax and Royalties, following lower domestic crude production.

Conversely, non-oil receipts, at ₦2,137.67billion, improved against the preceding quarter by 1.2 per cent, but was 9.6 per cent below the quarterly target of ₦2,365.91billion. The improvement was attributed to the strong performance of value-added tax (VAT), which exceeded collections in the preceding quarter and quarterly target by 13.9 and 21.4 per cent, respectively. Generally, non-oil revenue performance in the quarter, reflected seasonality in tax returns.

Table 5: Federally Collected Revenue and Distribution (₦ Billion)

	2022Q1	2022Q4 1/	2023Q1 1/	Budget
Federation Revenue (Gross)	*2,275.93*	*3,494.46*	*3,439.79*	*4,741.02*
Oil	*799.10*	*1,382.82*	*1,341.12*	*2,375.11*
Crude Oil & Gas Exports	*0.00*	*0.00*	*0.00*	*202.71*
PPT & Royalties	*610.94*	*1,361.84*	*1,324.70*	*1,592.74*
Domestic Crude Oil/Gas Sales	*162.70*	*0.00*	*0.00*	*126.13*
Others	*25.46*	*20.98*	*16.42*	*453.53*
Non-oil	***1,476.83***	***2,111.64***	***2,137.67***	***2,365.91***
Corporate Tax	*343.97*	*569.46*	*546.20*	*496.95*
Customs & Excise Duties	*385.72*	*434.32*	*389.67*	*464.64*
Value-Added Tax (VAT)	*570.35*	*650.83*	*741.32*	*610.45*
Independent Revenue of Fed. Govt.	*168.00*	*448.24*	*412.55*	*554.05*
*Others**	*8.79*	*8.79*	*47.93*	*239.82*
Total Deductions/Transfers**	*608.72*	*1,287.47*	*1,324.80*	*1,191.99*
Federally Collected Revenue *Less Deductions & Transfers*	1,667.21	2,206.99	2,153.99	3,549.03
plus:				
Additional Revenue	197.83	132.08	309.04	52.44
Balance in Special Account from 2019	0.00	0.00	0.00	0.00
Excess Crude Revenue	*0.00*	*0.00*	*115.00*	*0.00*
Non-oil Excess Revenue	*187.48*	*119.14*	*49.20*	*52.44*
Exchange Gain	*10.35*	*12.94*	*144.84*	*0.00*
Total Distributed Balance	*1,865.04*	*2,339.07*	*2,463.03*	*3,601.47*
Federal Government	*720.21*	*915.11*	*929.60*	*1527.27*
Statutory	*640.54*	*824.20*	*826.05*	*1,442.44*
VAT	*79.67*	*90.91*	*103.55*	*84.83*
State Government	***708.46***	***883.98***	***954.46***	***1296.95***
Statutory	*324.90*	*426.16*	*439.84*	*753.86*
VAT	*265.55*	*303.03*	*345.16*	*282.76*
13% Derivation	*118.01*	*154.79*	*169.46*	*260.33*
Local Government	***436.37***	***539.99***	***578.97***	***777.26***
Statutory	*250.48*	*327.87*	*337.36*	*579.33*
VAT	*185.89*	*212.12*	*241.61*	*197.93*

Source: OAGF and CBN Staff Estimates

Note: * Includes Education Tax, Customs Special Levies (Federation Account), National Technology Development, Customs Special Levies, Solid Mineral & Other Mining revenue, and other non-regular earnings; ** Deductions include cost of revenue collections and JVC cash calls; while transfers entail provisions for FGN Independent revenue and other Non-Federation revenue.

A net distributable balance of ₦2,463.03billion was disbursed to the three tiers of government, after accounting for statutory deductions and transfers, as well as additional revenue from oil and non-oil excess revenue, and exchange gain. Of this amount, the Federal Government got ₦929.60billion, while state and local governments received ₦954.47billion and ₦578.97billion, respectively. Of the disbursement to states, the sum of ₦169.46billion was distributed to oil-producing states as 13.0 per cent Derivation Fund. Total disbursement to the federating units was 5.3 per cent above allocation in 2022Q4, but 31.6 per cent below the quarterly estimate.

2.2.2 Fiscal Operations of the Federal Government

Federal Government Retained Revenue

The retained revenue of the FGN declined on the back of lower receipt from FGN independent revenue sources and allocation from the Federation Account. Estimated retained revenue of the FGN stood at ₦1,342.15billion, 10.7 per cent below receipts in 2022Q4 and 46.1 per cent short of the quarterly target. Receipt into the Federation Account and FGN independent revenue fell by 9.3 and 8.0 per cent below collections in the preceding quarter and were 36.1 and 62.0 per cent short of the quarterly target, respectively. Other revenue components, excess oil revenue and exchange gain, at ₦60.58billion and ₦66.56billion, respectively, augmented revenue realisations in the quarter.

Table 6: FGN Retained Revenue (₦ Billion)

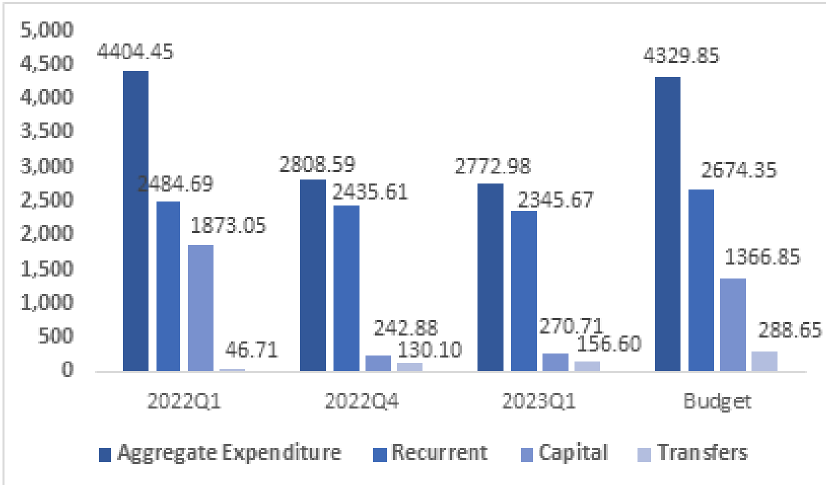
	2022Q1	2022Q4	2023Q1	Budget
FGN Retained Revenue	**1,093.68**	**1,502.52**	**1,342.15**	**2,492.30**
Federation Account	536.88	762.59	691.53	*1,082.68*
VAT Pool Account	79.67	90.91	103.55	*79.17*
FGN IR	168.00	448.24	412.55	*1,086.15*
Excess Oil Revenue	0.00	0.00	60.58	*0.00*
Excess Non-Oil	98.76	6.06	7.38	*0.00*
Exchange Gain	4.90	55.55	66.56	*0.00*
*Others**	205.47	139.17	0.00	*244.29*

Source: Office of the Accountant-General of the Federation (OAGF)
Note: * Others include revenue from Special Accounts, Special Levies and share of dividend.
The Budget figures are provisional, IR = Independent Revenue

Federal Government Expenditure

Following a decline in interest payments, the provisional aggregate expenditure of the FGN decreased by 1.3 and 36.0 per cent, relative to 2022Q4 and the quarterly budget, respectively. The provisional aggregate expenditure of the FGN in 2023Q1 amounted to ₦2,772.98billion. A decomposition of FGN spending showed that recurrent expenditure, capital expenditure, and transfers accounted for 84.6, 9.8 and 5.6 per cent, respectively.

Figure 15: Federal Government Expenditure (₦ Billion)



Source: Office of the Accountant-General of the Federation (OAGF) and CBN Staff Estimates.

Overall Fiscal Balance

The fiscal operations of the FGN in 2023Q1 resulted in a deficit. At ₦1,430.83billion, the provisional fiscal deficit of the FGN was 9.6 per cent higher than the level in the preceding quarter but 22.1 per cent below the target.

Table 7: Fiscal Balance (₦ Billion)

	2021Q4	2022Q4	2023Q1	Budget
Retained revenue	**1,093.68**	**1,502.52**	**1,342.15**	**2,492.30**
Aggregate expenditure	**4,404.44**	**2,808.58**	**2,772.98**	**4,329.85**
Recurrent	2,484.69	2,435.61	2,345.67	2,674.35
Non-debt	1,178.92	1,217.40	1,220.17	1,418.52
Debt Service	1,245.95	1,151.64	1,056.31	921.35
Capital	1,873.05	242.88	270.71	1,366.85
Transfers	46.71	130.10	156.60	288.65
Primary balance	**(2,064.82)**	**(154.42)**	**(374.52)**	**-916.21**
Overall balance	**(3,310.77)**	**(1,306.06)**	**(1,430.83)**	**(1,837.55)**

Source: Office of the Accountant-General of the Federation (OAGF) and CBN Staff Estimates

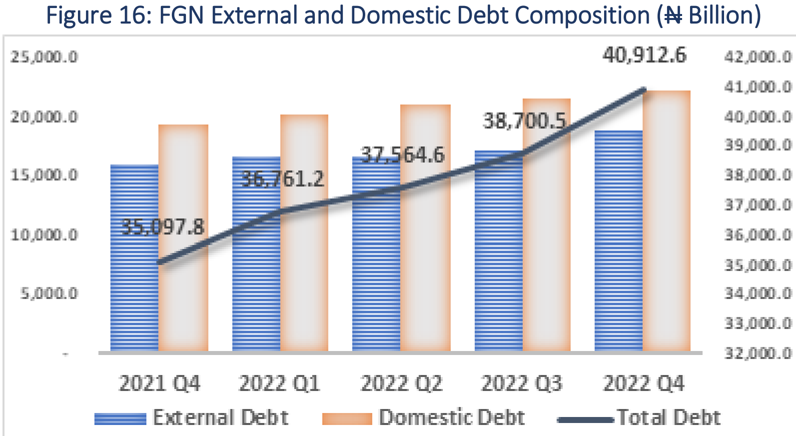
Note: The figures are provisional.

Federal Government Debt

Government borrowing in the review period remained anchored on the Medium-Term Debt Strategy 2020-2023 of the FGN. The total public debt outstanding as at the end of December 2022 was ₦46,250. 37billion (22.8 per cent of GDP). It rose by 5.0 per cent and 16.9 per cent, relative to end-September 2022 and end-December 2021, respectively; nevertheless, remained within the 40.0 per cent domestic total public debt-to-GDP threshold. Domestic debt accounted for 59.6 per cent of the consolidated public debt, while external debt obligations constituted 40.4 per cent. Out of the public debt stock, FGN owed ₦40,912.62billion (or 88.5 per cent)[1], while State governments' domestic debt stock made up the balance of ₦5,337.75billion (11.5 per cent).

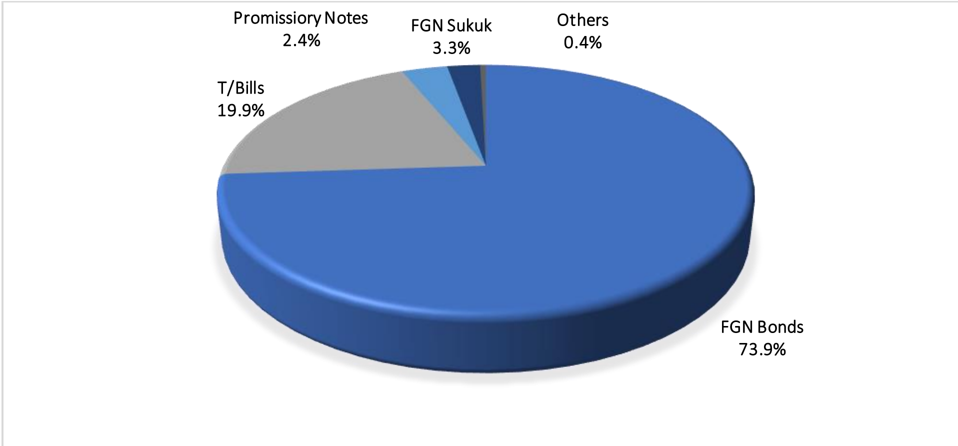
Of the total FGN debt obligations, domestic debt was ₦22,210.36billion (or 54.3 per cent), while external debt was ₦18,702.26billion (or 45.7 per cent). This is against the sustained 70:30 Domestic: External debt mix anticipated in the prevailing medium-term debt framework. Detailed analysis shows that FGN bond issues maintained its dominance, with 73.9 per cent of the total domestic debt, while Treasury Bills (19.9 per cent), FGN Sukuk (3.3 per cent), Promissory Notes (2.4 per cent), and others (0.4 per cent) constituted the balance. With regards to external debt holdings, Multilateral, Commercial and Bilateral loans accounted for 48.5 per cent, 37.5 per cent and 12.1 per cent, respectively, while 'other' loans constituted 1.9 per cent. Debt service obligations in 2022Q4, amounted to ₦548.86billion, compared with ₦1,167.02billion in 2022Q3. The decline was attributed to lower demand for external borrowing.

Figure 16: FGN External and Domestic Debt Composition (₦ Billion)



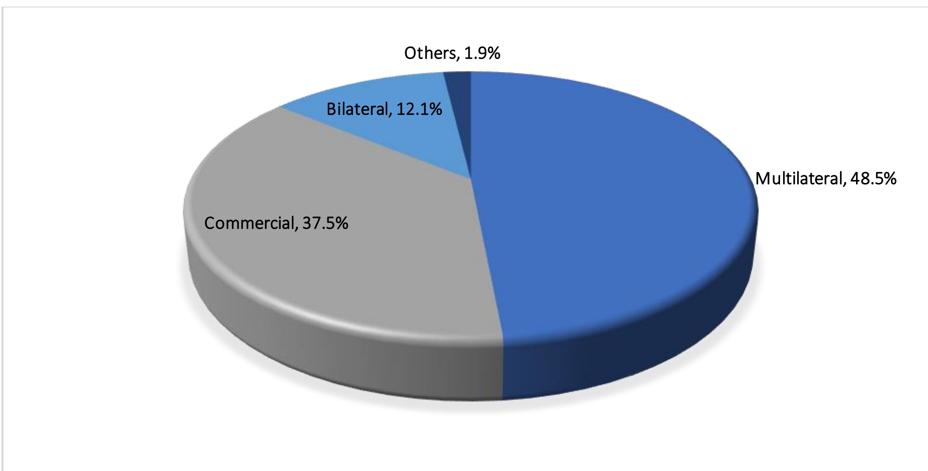
Source: Debt Management Office (DMO).

Figure 17: Composition of Domestic Debt Stock by Instrument



Source: Compiled from DMO figures.

Figure 18: Composition of External Debt Stock by Instrument



Source: Compiled from DMO figures.

2.3 MONETARY AND FINANCIAL DEVELOPMENTS

Summary

The financial sector remained safe and sound on the back of sustained supervision and implementation of prudential guidelines. Key monetary aggregates grew in 2023Q1, owing to increases in both net foreign and domestic assets. Banking system liquidity increased, resulting in decreased activity in the standing lending facility window, increased subscription in both the NTBs and FGN bonds segments, and credit expansion to key sectors of the economy. Key short-term interest rates showed a mixed pattern during the quarter, a resultant effect of both hike in monetary policy rate (MPR) and the relative surge in liquidity. The publication of favourable 2022 full-year corporate earnings results spurred interest in the equities market, leading to bullish activities in the capital market.

2.3.1 Monetary Developments

Reserve Money

Reserve money fell by 0.35 per cent in 2023Q1, due to the decline in currency-in-circulation (CIC). The Bank's naira redesign policy-induced a decline in CIC by 44.1 per cent. A further decomposition of the CIC shows that the value of notes and coins declined by 44.4 per cent, while the eNaira component increased significantly by 89.8 per cent at end-March 2023. Liabilities to Other Depository Corporations (ODCs), on the other hand, grew by 9.8 per cent, triggered by the 19.1 per cent growth in required reserves. Consequently, reserve money declined to ₦15,975.74billion from ₦16,032.05billion in the preceding quarter.

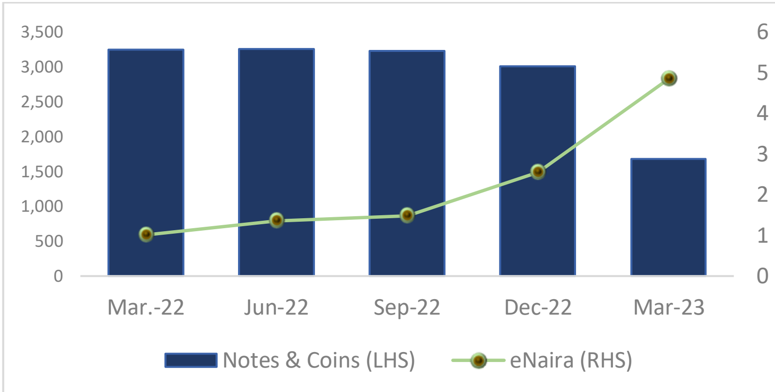
Table 8: Components of Reserve Money (₦ Billion)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Monetary Base	**14,301.77**	**13,860.27**	**15,007.59**	**16,032.05**	**15,975.74**
Currency-In-Circulation	3,245.60	*3,255.56*	*3,228.75*	3,012.06	1,683.50
Of which:					
Notes and coins	*3,244.59*	*3,254.21*	*3,227.27*	*3,009.51*	*1,678.66*
eNaira	*1.01*	*1.35*	*1.48*	*2.55*	*4.84*
Liabilities to ODCs	11,056.17	*10,604.71*	*11,778.84*	13,019.99	14,292.24
Monetary Base (% Growth over `Preceding December)	*7.57*	*4.25*	*12.88*	*20.59*	*-0.35*
Broad Money Multiplier (M_3)	3.19	3.53	3.29	3.25	3.42

Source: Central Bank of Nigeria

However, the increase in broad money multiplier to 3.42 from 3.25 in the preceding quarter, amplified the monetary base, resulting in a 4.8 per cent growth in broad money supply (M3). Broad money supply stood at ₦54,634.06billion, compared with ₦52,155.42billion at the end of the preceding quarter. On annualized basis, the 4.8 per cent growth in M3 translated to 19.0 per cent for the annual benchmark target, surpassing the benchmark target by 1.8 percentage points.

Figure 19: Composition of Currency-in-Circulation (₦ Billion)



Source: Central Bank of Nigeria.

Net foreign and domestic assets increased by 40.9 and 1.5 per cent, contributing 3.3 percentage points and 1.4 percentage points, respectively, to the growth in broad money supply. The rise in Net Foreign Assets (NFA) was due to the decline in liabilities to non-residents by depository corporations by 13.7 per cent, which outweighed the 3.2 per cent decline in claims on non-residents. The major driver of the growth in Net Domestic Asset (NDA) was the 11.7 per cent growth in net claims on central government, followed by the 3.2 per cent growth in claims on other sectors.

Table 9: Money and Credit Growth over preceding December (%)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Contribution to M3 growth (Mar-23)	Annualised Growth (Mar-23)	2023 Provisional Benchmark
Net Foreign Assets	**-19.12**	**-34.68**	**-52.04**	**-54.53**	**40.94**	**3.34**	**163.76**	**38.82**
Claims on Non-residents	-2.61	0.63	1.64	5.96	-3.15	-1.33	-12.60	
Liabilities to Non-residents	10.90	29.51	45.54	55.43	-13.69	-4.67	-54.76	
Net Domestic Assets	**8.58**	**21.94**	**27.80**	**36.51**	**1.54**	**1.41**	**6.16**	
Domestic Claims	**8.26**	**17.82**	**29.90**	**36.17**	**6.32**	**8.05**	**25.28**	**15.78**
Net Claims on Central Government	**17.92**	**31.61**	**64.93**	**78.16**	**11.65**	**5.51**	**46.60**	**19.64**
Claims on Central Government	13.78	23.61	39.62	42.53	8.90	5.96	35.60	
Liabilities to Central Government	8.40	13.23	6.76	-3.73	2.30	0.45	9.20	
Claims on Other Sectors	**4.43**	**12.35**	**16.02**	**19.53**	**3.17**	**2.54**	**12.68**	**13.50**
Claims on Other Financial Corporations	-0.78	2.91	7.76	12.02	6.53	1.11	26.12	
Claims on State and Local Government	20.33	29.85	29.28	32.47	4.26	0.27	17.04	
Claims on Public Nonfinancial Corporations	47.54	42.37	34.27	40.89	-0.45	-0.01	-1.80	
Claims on Private Sector	3.04	12.64	16.76	19.95	2.15	1.17	8.60	
Total Monetary Assets (M_3)	**2.75**	**10.02**	**11.00**	**17.35**	**4.75**	**4.75**	**18.99**	**17.18**
Currency Outside Depository Corporations	-7.63	-7.46	-7.10	-12.57	-43.74	-2.15	-174.96	
Transferable Deposits	11.77	16.61	22.16	20.12	9.63	3.35	38.52	
Narrow Money (M_1)	**8.61**	**4.25**	**12.88**	**20.59**	**3.01**	**1.20**	**12.04**	
Other Deposits	-1.26	8.19	6.62	17.61	5.82	3.46	23.28	
Broad Money (M_2)	**2.75**	**10.02**	**11.00**	**16.47**	**4.67**	**4.66**	**18.68**	**18.07**
Securities Other than Shares	1.53	100.00	100.00	101.00	7.22	0.09	28.89	
Total Monetary Liabilities(M_3)	**2.75**	**10.02**	**11.00**	**17.35**	**4.75**	**4.75**	**18.99**	**17.18**

Source: Central Bank of Nigeria

On the liabilities side, the growth in M3 was induced by 5.8 per cent growth in other deposits, which accounted for a 3.5 percentage points surge in the monetary aggregate, followed by the 9.6 per cent growth in transferable deposits, accounting for 3.4 percentage points. Currency outside depository corporations (CODC), significantly declined by 43.7 per cent in the reviewed quarter, an indication of increased adoption and usage of electronic payment channels in tune with the Bank's cashless policy initiative.

2.3.2 Sectoral Credit Utilisation

Sectoral Credit Utilisation

Total credit to key sectors of the economy increased by 3.1 per cent to ₦30,346.13billion, compared with ₦29,445.87billion at end-December 2022, driven by increased liquidity in the banking system. The Services sector maintained its dominance and accounted for the largest share (53.1 per cent), of total credit, followed by industry with 40.7 per cent, while agriculture accounted for the balance of 6.2 per cent.

Table 10: Sectoral Credit Allocation

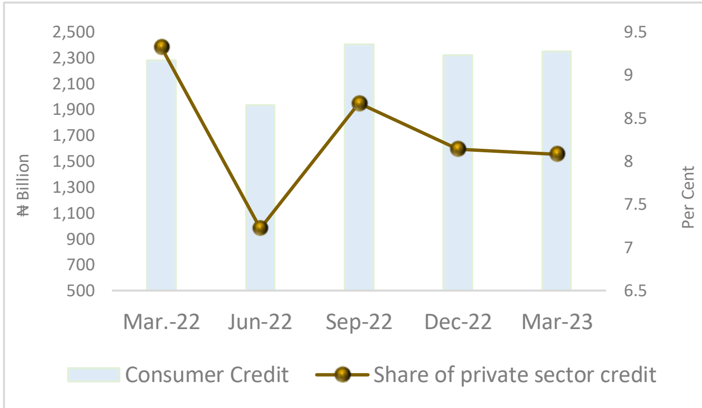
Sector	Billion Naira			Share of total (%)		
	Sep-22	Dec-22	Mar-23	Sep-22	Dec-22	Mar-23
Agriculture	**1,658.04**	**1,812.47**	**1,887.95**	**5.88**	**6.16**	**6.22**
Industry	**11,478.45**	**12,074.31**	**12,334.84**	**40.7**	**41.01**	**40.65**
of which Manufacturing	5,095.64	5,566.43	5,655.28	18.07	18.9	18.64
Services	**15,067.79**	**15,559.09**	**16,123.34**	**53.42**	**52.84**	**53.13**
of which Finance, Insurance & Capital Market	2,404.84	2,638.84	2,639.25	8.53	8.96	8.7
Trade/General Commerce	2,234.73	2,306.31	2,333.42	7.12	7.52	7.69
Total Private Sector Credit	**28,204.28**	**29,445.87**	**30,346.13**	**100.00**	**100.00**	**100.00**

Source: Central Bank of Nigeria

Consumer

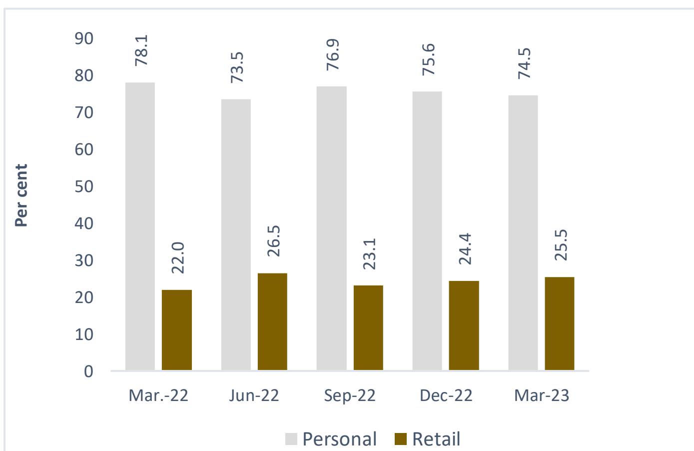
The increase in banking system liquidity and enhanced access to formal financial services, especially through fintech channels, that accompanied the naira redesign policy, boosted consumer credit. Thus, consumer credit increased by 1.3 per cent, to ₦2,349.88billion from ₦2,318.63billion at the end of the preceding quarter and accounted for 8.1 per cent of total claims in private sector. A disaggregation of consumer credit showed that personal loans stood at ₦1,751.60billion, or 74.5 per cent, while retail loans, at ₦598.28billion, accounted for the balance of 25.5 per cent.

Figure 20: Consumer Credit Outstanding



Source: Central Bank of Nigeria

Figure 21: Composition of Consumer Credit



Source: Central Bank of Nigeria.

2.3.3 Financial Developments

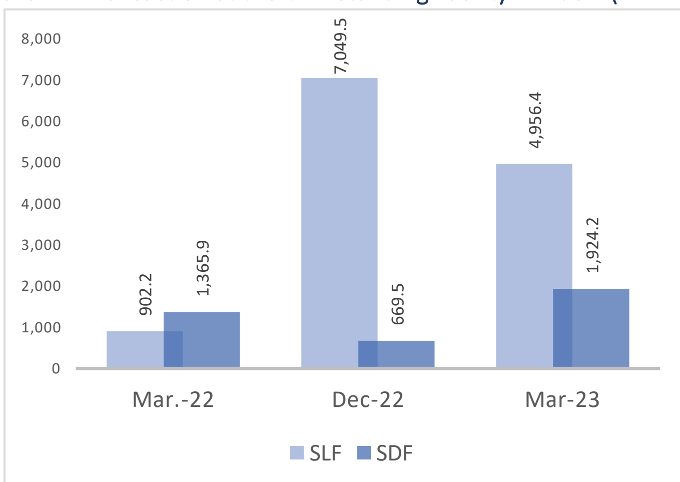
2.3.3.1 Money Market Developments

Industry Liquidity

Banking system liquidity grew on the net effects of fiscal and monetary operations. Total fiscal injection and repayment of matured CBN bills rose to ₦2,448.04billion and ₦309.44billion from ₦2,309.07billion and ₦231.19billion in the preceding quarter, respectively. Consequently, the average closing net industry balance rose by 73.2 per cent to ₦486.39billion from ₦280.86billion in the preceding quarter.

Resultantly, requests at the standing lending facility window declined to ₦4,956.39billion, with daily average of ₦78.67billion, from ₦7,049.52billion, with a daily average of ₦115.57billion in the preceding quarter. Conversely, requests at the standing deposit facility increased to ₦1,924.20billion, with a daily average of ₦30.07 billion, from ₦669.46billion, with a daily average of ₦10.97billion in the preceding quarter. The lower activity at the SLF window and increased activity at the SDF window reflected higher banking system liquidity in the period.

Figure 22: Transaction at the CBN Standing Facility Window (₦ Billion)

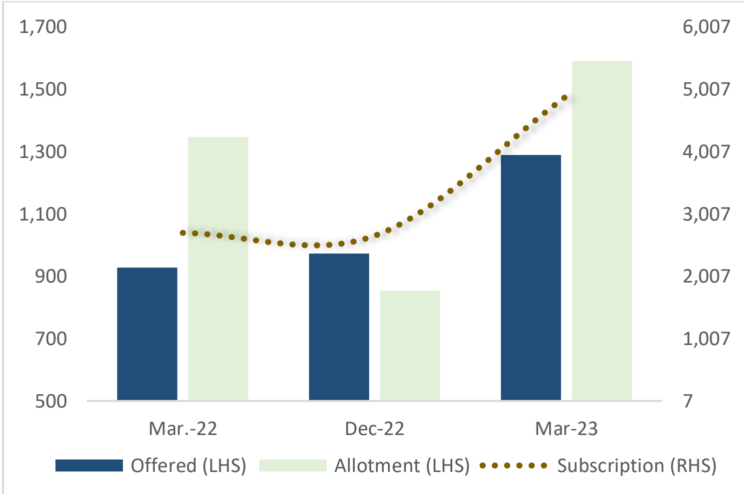


Source: Central Bank of Nigeria

Primary Market

Activities increased in both the NTBs and FGN bond segments due to higher yields and inflation expectations. At the auctions, NTBs worth ₦1,289.87billion, ₦4,893.00billion, and ₦1,589.87billion were offered, subscribed and allotted, respectively, relative to ₦972.99billion, ₦2,655.07billion, and ₦852.93billion in the preceding quarter. A breakdown showed that longer-term securities (364-day) accounted for ₦4,528.66billion (92.6 per cent) of the total subscription, revealing investors' preference for longer-tenorred instruments because of higher yields and inflation expectations.

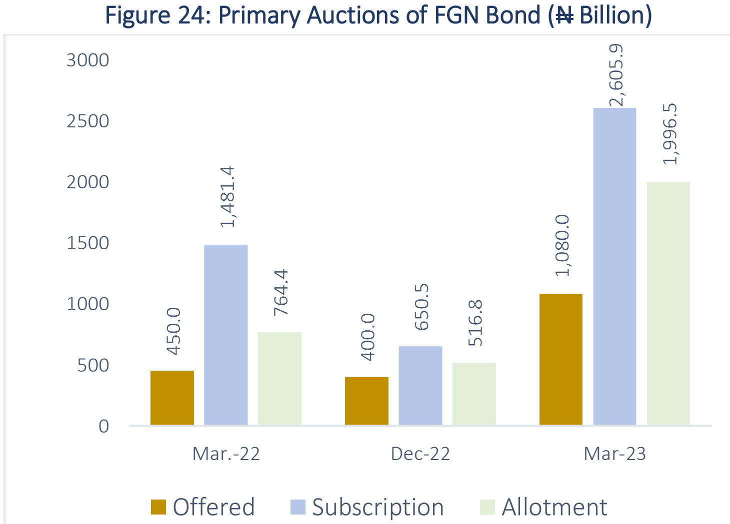
Figure 23: Primary Market NTBs (₦ Billion)



Source: Central Bank of Nigeria

Similarly, the total amount of FGN bonds offered, subscribed, and allotted at ₦1,080.00billion, ₦2,605.88billion and ₦1,996.53billion was higher, compared with ₦400.00billion, ₦650.47billion and ₦516.80billion, respectively, in the preceding quarter. The bid and marginal rates stood at 14.3 (±3.3) and 15.0 (±1.0) per cent, compared with 16.3 (±2.8) and 15.4 (±0.9) per cent, respectively, in the preceding quarter.

Figure 24: Primary Auctions of FGN Bond (₦ Billion)

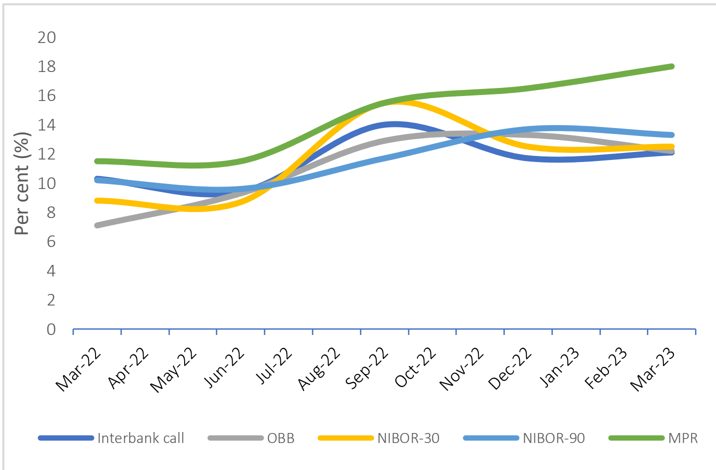


Source: Central Bank of Nigeria

Interest Rate

On the whole, key money market rates were consistent with the liquidity trajectory in the banking system. The average Interbank call and Open Buy Back (OBB) rates stood at 12.1 and 12.2 per cent, compared with 11.7 and 13.3 per cent, respectively, in the preceding quarter. Similarly, the Nigeria Interbank Offered Rate (NIBOR 30-day and 90-day) stood at 12.5 and 13.3 per cent, relative to 12.5 and 13.7 per cent, respectively, in the preceding quarter.

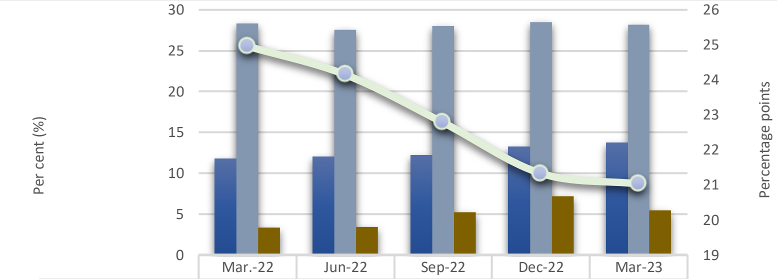
Figure 25: Developments in Short-term Interest Rates



Source: Central Bank of Nigeria.

The average prime lending rate increased slightly by 0.4 percentage point to 13.8 per cent from 13.4 per cent in the preceding quarter, while the average maximum lending rate shed 0.4 percentage point to 28.1 per cent from 28.5 per cent in the preceding quarter. The weighted average term deposit (WAVTD) rate fell to 5.5 per cent from 7.2 per cent in the preceding quarter. Consequently, the average spread between the weighted average term deposit and maximum lending rates declined to 21.03 percentage points from 21.33 percentage points in the preceding quarter.

Figure 26: Trend in Average Term Deposit and Lending Rates



	Mar.-22	Jun-22	Sep-22	Dec-22	Mar-23
PRL (LHS)	11.77	12.03	12.19	13.25	13.75
MXLR (LHS)	28.33	27.59	27.99	28.53	28.15
WAVTD (LHS)	3.37	3.44	5.21	7.21	5.49
SPRD (RHS)	24.96	24.15	22.78	21.33	21.03

Source: Central Bank of Nigeria.
Note: PLR= Prime lending rate; MLR= Maximum lending rate; WAVTD= Weighted Average term deposit rate; SPRD= Spread.

2.3.4 Capital Market Developments

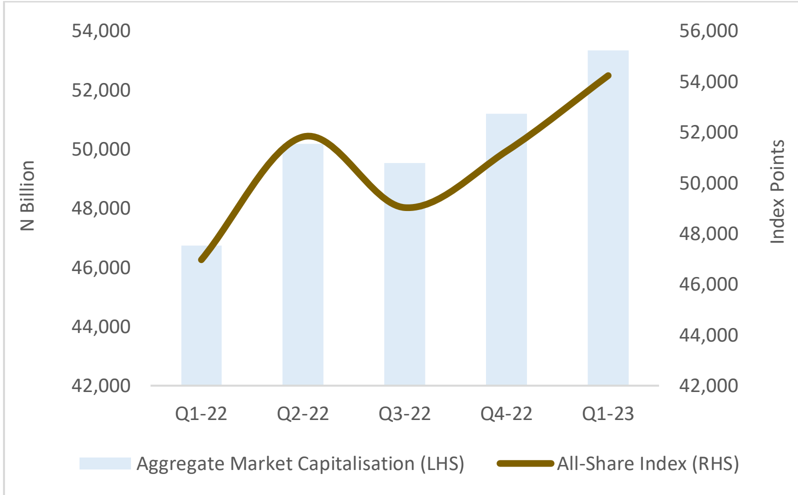
Market Capitalisation

Activities on the Nigerian Exchange (NGX) Limited were bullish, following strong buying interest in the equities market, occasioned by positive 2022 full year corporate dividend/earnings declaration. Aggregate market capitalisation increased by 4.2 per cent to ₦53,326.29billion from ₦51,188.87billion in the preceding quarter. A disaggregation showed that the equities, debts, and Exchange Traded Funds (ETF) gained 5.7, 2.4, and 7.8 per cent to close at ₦27,965.74billion, ₦23,214.72billion and ₦8.42billion, respectively. The development was driven by increased trading activities in the capital market, following the release of favourable 2022 year-end corporate earnings. The equities, debt, and ETF components constituted 55.4, 44.5, and 0.1 per cent, respectively, of the aggregate market capitalisation.

NGX All-Share Index

The All-Share Index (ASI) rose by 5.8 per cent to 54,232.34 points, relative to the 51,251.06 points at the end of the preceding quarter. The performance of the NGX-ASI was driven by strong buying interest, following the release of better-than-expected 2022 full year dividend/earnings.

Figure 27: Aggregate Market Capitalisation and All-Share Index



Source: Nigeria Exchange (NGX) Limited

The performance of all the major indices were bullish, except the NGX-Sovereign bond, which trended downward and the NGX-ASeM which remained flat, reflecting the strong performance of the capital market during the review quarter.

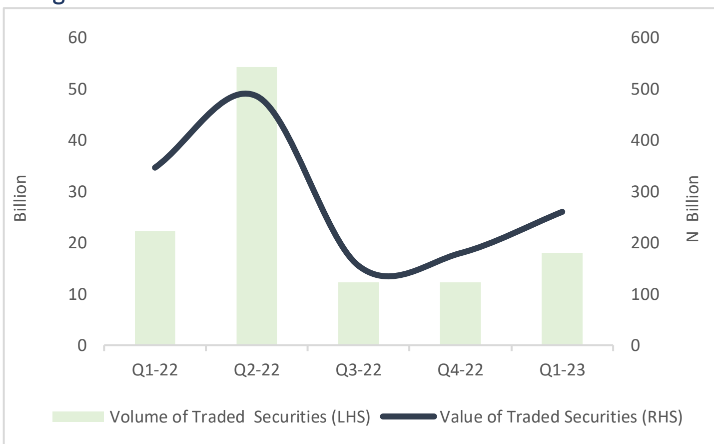
Table 11: Nigeria Exchange (NGX) Limited sectorial Indices

NGX Indices	2022Q4	2023Q1	Changes (%)
NGX-Growth	1,798.3	2,799.2	55.6
NGX-Consumer Goods	588.9	702.7	19.3
NGX-Premium	4,715.6	5,280.2	12.0
NGX-Oil/Gas	462.5	510.8	10.5
NGX- AFR Bank Value	991.1	1,081.5	9.1
NGX- Lotus II	3,240.8	3,525.8	8.8
NGX-Banking	417.5	453.0	8.5
NGX- AFR Div Yield	3,321.5	3,591.6	8.1
NGX- MERI Value	2,308.2	2,484.3	7.6
NGX-CG	1,276.5	1,363.7	6.8
NGX-Pension	1,792.6	1,906.5	6.4
NGX-30	1,842.5	1,933.3	4.9
NGX-Main Board	2,328.5	2,440.5	4.8
NGX-MERI Growth	2,297.3	2,351.8	2.4
NGX-Industrial Goods	2,403.2	2,456.5	2.2
NGX-Insurance	174.4	177.5	1.8
NGX-ASeM	659.4	659.4	0.0
NGX-Sovereign Bond	818.3	802.1	-2.0

Source: Nigeria Exchange (NGX) Limited.

The value and volume of traded securities on the NGX increased by 45.0 and 48.9 per cent to ₦260.02billion and 18.04billion, respectively, relative to ₦179.43billion and 12.22billion in the preceding quarter. However, the total deals traded declined by 7.5 per cent to 230,629 deals, compared with 246,966 deals in the preceding quarter.

Figure 28: Volume and Value of Traded Securities on the NGX



Source: Nigeria Exchange (NGX) Limited.

There were 25 new and two supplementary listings on the Exchange, compared with six new listings in the preceding quarter. The increase in listings evidenced investors' positive sentiments towards the capital market.

Table 12: Listings on the Nigerian Exchange Limited in 2023Q1

Company/Security	Shares Units/Price	Remarks	Listing
Family Homes Sukuk Issuance Program Plc: 14.00% FHSUK SEP 2029	20,000,000 units at 100% of par (₦ 1,000)	₦ 20,000,000,000 14.00% Series II Ijara Lease Sukuk due 2029	New
ELLAH LAKES PLC	One Billion (1,000,000,000) ordinary shares of 50 kobo each at ₦2.90 per share	Rights issue	New
Taj Sukuk Issuance Programme SPV Plc	11,359,989 at ₦ 1000 per unit	15% Series I Mudarabah Sukuk Issuance	New
9.075% FGNSB JUL2025	915,865,	Savings Bond	New
8.075% FGNSB JUL 2024	451,037	Savings Bond	New
8.205% FGNSB JUNE 2024	769,920 units	Saving Bond	New
9.205% FGNSB JUNE 2025	1,104,748 units	Saving Bond	New
9.413% FGNSB AUG 2024	528,996	Saving Bond	New
10.413% FGNSB AUG 2025	933,599	Saving Bond	New
11.041% FGNSB SEP2024	530,728	Saving Bond	New
12.041% FGNSB SEP 2025	1,596,794	Saving Bond	New
11.382% FGNSB OCT 2024	282,093	Saving Bond	New
12.382% FGNSB OCT 2024	945,618	Saving Bond	New
12.255% FGNSB DEC 2024	297,811	Saving Bond	New
13.255% FGNSB DEC 2025	908,647	Saving Bond	New
9.600% FGNSB JAN 2025	145,416	Saving Bond	New
10.600% FGNSB JAN 2026	387,614	Saving Bond	New
7.934% FGNSB MAY 2024	358,011	Saving Bond	New
10.043% FGNSB FEB 2025	322,301units	Saving Bond	New
11.043% FGNSB FEB 2026	948,849 units	Saving Bond	New
8.934% FGNSB MAY 2025	748,449	Saving Bond	New
Lagos State Government. 13.00% LAB DEC 2031	137,328,000 units at 100% of par (₦ 1,000)	Unsecured Bond	New
NEIMETH INTERNATIONAL PHARMACEUTICALS PLC	2,373,947,500 Ordinary Shares of 50 Kobo Each at ₦ ₦ 1.55 Per Share	Rights issue	Supplementary
FTN COCOA PROCESSORS PLC	1,700,000,000 Ordinary Shares of 50 Kobo Each at 50 Kobo per Share	Debt Conversion program	Supplementary
ROYAL EXCHANGE PLC	4,116,296,059 units of ordinary shares of 50 kobo each at 50 kobo per share	Rights Issue	New
NGX30 Index	Futures Contract ₦2,069.25	Derivative	New
NGX30 Index	Futures Contract NGXPENSIONU3, ₦ 2,007.75	Derivative	New

Notes: FGNSB=Federal Government of Nigeria Saving Bond; Plc=Public Limited Liability Company; and NOV=November.

Source: Nigeria Exchange Limited (NGX).

2.3.5 Financial Soundness Indicators

The banking industry was resilient, as key financial soundness indicators remained within the industry regulatory thresholds. The industry Capital Adequacy Ratio (CAR) rose marginally by 0.4 percentage point to 14.2 per cent, relative to the 13.8 per cent in the preceding quarter. The ratio remained above the 10.0 per cent benchmark for banks with national/regional authorisation.

The banks' asset quality, measured by the ratio of non-performing loans (NPLs) was below the prudential benchmark of 5.0 per cent, despite rising marginally by 0.3 percentage point to 4.5 per cent from the level in the preceding quarter. The industry liquidity ratio (LR) at 51.4 per cent, was above the minimum regulatory benchmark of 30.0 per cent, showing the ability of banks to meet their short-term financial obligations. The LR decreased by 1.6 percentage points, compared with the preceding quarter, reflecting banks' appetite for long-term assets.

Table 13: Financial Soundness Indicators (Per cent)

Key Indicators	2022Q4	2023Q1	Prudential Benchmark
Capital Adequacy Ratio	13.8	14.2	10.0
Non-Performing Loans Ratio	4.2	4.5	5.0
Liquidity Ratio	53.0	51.4	30.0

Source: Central Bank of Nigeria

2.4 EXTERNAL SECTOR DEVELOPMENTS

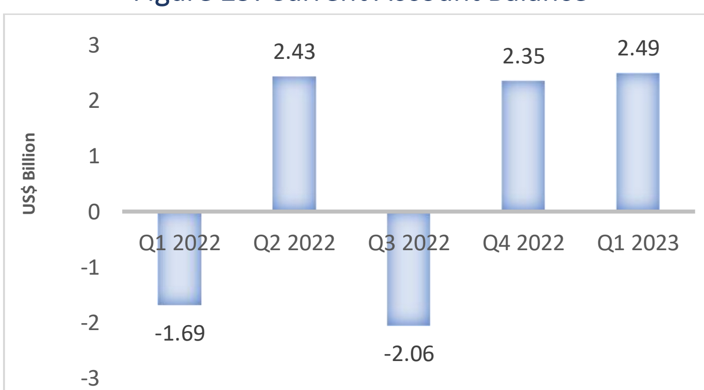
Summary

Nigeria's current account posted a surplus of US$2.49billion, buoyed by positive trade performance, particularly crude oil export, lower payments for services and sustained surplus in the secondary income account. The financial account showed a net reduction in financial liabilities of US$0.52billion, reflecting uncertainties surrounding the country's general elections. The international reserves at US$35.14billion was equivalent to 6.7 months of import for goods and services or 9.1 months for goods only. The average exchange rate of the naira per US dollar at the I&E window was ₦460.93/US$, compared with ₦445.71US$ in 2022Q4. The international investment position recorded a net financial liability of US$76.62billion. Public sector external debt stock and external debt service payment at the end of December 2022 stood at US$41.69billion and US$0.80billion, respectively.

2.4.1 Current and Capital Account

Improved crude oil export earnings, lower deficit in the services account, and increased surplus in the secondary income account resulted in a higher current account surplus in 2023Q1. The surplus in the current account increased to US$2.49billion (2.2 per cent of GDP) from US$2.35billion (1.8 per cent of GDP) in 2022Q4, due to favourable trade balance, lower demand for services and increased surplus in the secondary income account.

Figure 29: Current Account Balance



Source: Central Bank of Nigeria

Export Performance

Aggregate merchandise export earnings decreased marginally, as proceeds from non-oil export declined, attributed to lower commodity prices. Aggregate export earnings declined by 1.4 per cent to US$14.38billion, from US$14.59billion in 2022Q4. This indicated lower earnings from non-oil export, attributed majorly to a downward trend in commodity prices in the international market.

A breakdown shows that crude oil and gas export receipts increased slightly by 0.2 per cent to US$12.66billion, from US$12.63billion in 2022Q4. The development was mainly attributed to the improvement in crude oil production to an average of 1.28 barrels per day (mbpd) in 2023Q1, from 1.15 million mbpd in 2022Q4, reflecting the positive outcome of the enhanced government pipeline surveillance. Conversely, non-oil export receipts declined by 11.8 per cent to US$1.72billion, from US$1.95billion in the preceding quarter, on account of lower commodity prices at the global market. Crude oil and gas export constituted 88.0 per cent of total export, while non-oil export accounted for the remaining 12.0 per cent.

Merchandise Import

Merchandise import fell marginally, following lower demand for non-oil products. Import declined by 0.7 per cent to US$11.70billion, from US$11.79billion in 2022Q4, due to the 4.7 per cent decline in non-oil import, which fell to US$7.48billion, from US$7.85billion in 2022Q4, on account of high global inflation. However, import of petroleum products grew by 7.3 per cent to US$4.22billion, from US$3.93billion in the preceding quarter of 2022. The share of non-oil import remained dominant, accounting for 63.9 per cent of the total, while petroleum products constituted the balance of 36.1 per cent.

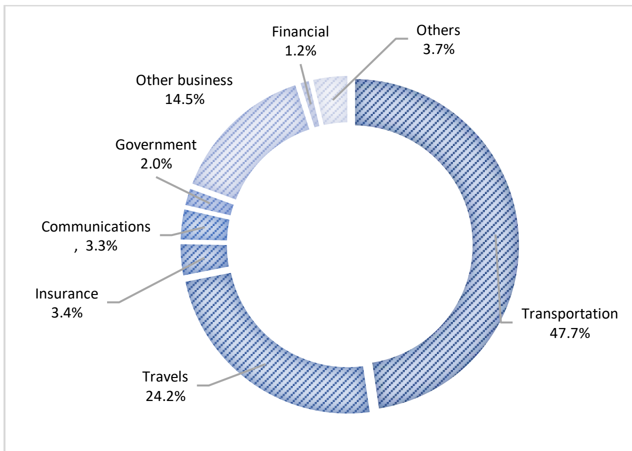
A breakdown of import by sector revealed that raw materials and machinery accounted for the largest share of 51.1 per cent, reflecting an inclination towards support to the industrial sector. Other sectoral import shares were manufactured products, 15.1 per cent; food products, 13.7 per cent; petroleum products, 9.4 per cent; minerals, 5.6 per cent; transport, 3.6 per cent; and agricultural products, 1.6 per cent.

Services

The deficit in the services account narrowed, owing to lower payments for services, particularly transportation and travels. The deficit narrowed by 3.9 per cent to US$3.01billion from US$3.13billion in 2022Q4. The reduction in deficit was due, largely, to the decrease in freight charges, and lower payments in respect of education and health-related travels. Analysis of trade in services showed that payment for services fell to

US$4.08billion, from US$4.42billion in the preceding quarter. Payments for transportation, travel, telecommunications and other business services declined by 14.6, 12.7, 6.6, and 3.5 per cent, respectively, to US$1.95billion, US$0.99billion, US$0.13billion and US$0.59billion. Payments for financial, insurance and pensions declined by 69.4 and 4.0 per cent to US$0.05billion and US$0.14billion, respectively. However, payments for government services increased by 3.9 per cent to US$0.08billion. In terms of share, transportation accounted for the largest, while financial accounted for the least.

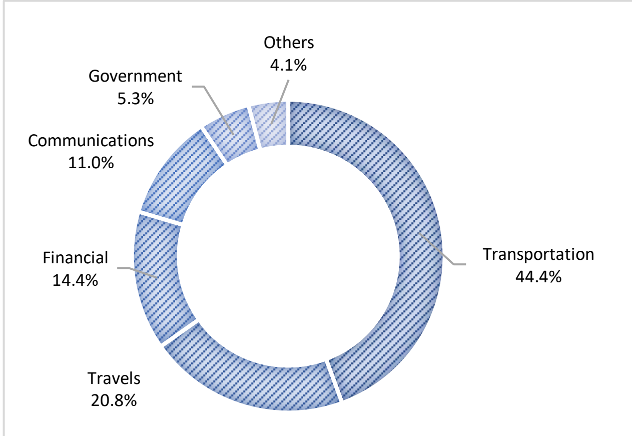
Figure 30: Share of Service Out-Payments (percentage)



Source: Central Bank of Nigeria.

Receipts from services declined by 17.3 per cent to US$1.07billion, from US$1.30billion in the preceding quarter. This was due, mainly, to decline in receipts from financial, travel, telecommunications and transportation services by 40.1, 19.7, 15.5 and 8.6 per cent, respectively. In terms of share, receipt from transportation was the largest.

Figure 31: Share of Services Receipts (Percentage)



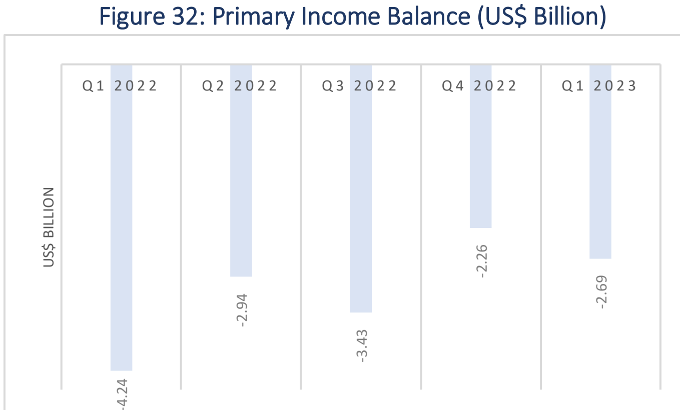
Source: Central Bank of Nigeria.

Primary

Higher dividend payments to non-resident investors widened the deficit in the primary income account. The deficit in the primary income account widened by 18.7 per cent to US$2.69billion in 2023Q1, due, primarily to the 34.9 per cent increase in investment income payments, which amounted to US$3.09billion, from US$2.77billion in 2022Q4. Income on direct investment in the form of dividends rose by 12.1 per cent to US$2.71billion, relative to US$2.42billion in 2022Q4. Similarly, interest payments on portfolio investments rose to US$0.09 billion, from US$0.05billion in 2022Q4. Interest earnings on reserve assets increased by 35.7 per cent to US$0.20billion, from US$0.15billion in 2022Q4. Conversely, interest payments on loans declined by 0.7 per cent to US$0.30billion.

The compensation of employees' account maintained a surplus position, increasing by 6.2 per cent to US$0.06billion, relative to the level in 2022Q4.

Figure 32: Primary Income Balance (US$ Billion)

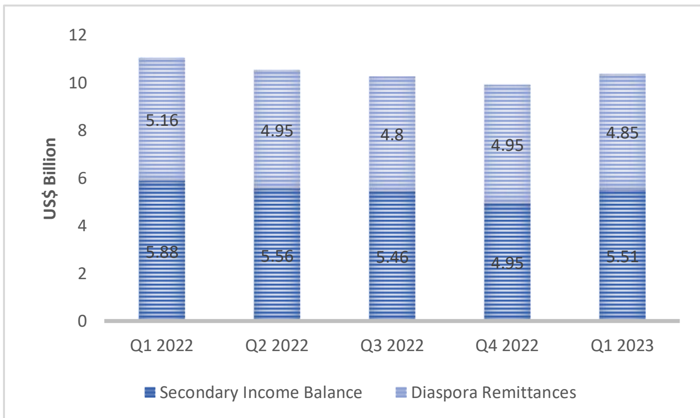


Source: Central Bank of Nigeria.

Secondary Income

The surplus in the secondary income account improved, due to a higher inflow of general government transfers. The surplus in the secondary income account increased by 11.4 per cent to US$5.51billion, from US$4.95billion in 2022Q4. The development was due to increased inflow of general government transfers by 47.3 per cent to US$0.73 billion, from US$0.49billion in 2022Q4. Personal transfers, including diaspora remittances decreased by 2.0 per cent to US$4.85billion, from US$4.95billion in the preceding quarter.

Figure 33: Secondary Income Balance and Remittances Inflow



Source: Central Bank of Nigeria.

2.4.2 Financial Account

Financial Account Developments

Non-residents' redemption of matured investments and the withdrawal of foreign currency and deposits resulted in a net reduction in financial liabilities. The financial account recorded a net reduction in financial liabilities of US$0.52billion (0.5 percent of GDP), compared with US$0.85billion (0.7 percent of GDP) in 2022Q4. This reflected tight global financial conditions and uncertainties surrounding the macroeconomy as a result of the country's general elections.

Net Incurrence of Liability

Non-residents' claims on the economy reduced significantly as investors redeemed matured investments. A capital reversal of US$0.78billion was recorded in 2023Q1, in contrast to an inflow of US$1.94billion in 2022Q4. The development was due to reversals of portfolio investments and withdrawal of foreign currency and deposits from domestic money banks. Also, the uncertainties surrounding the 2023 general elections and the quest for a safer haven by investors contributed to the divestment. A portfolio investment reversal of US$1.17billion was recorded, in contrast to an inflow of US$0.34billion in 2022Q4, occasioned by the redemption of investments in short-term debt securities by non-resident investors.

Similarly, ‘other investment’ recorded a reversal of US$0.86billion, as against an inflow of US$0.85billion in 2022Q4, due to withdrawal of foreign currency and deposits in Nigerian banks by non-residents. However, FDI inflow improved significantly to US$1.20billion, from US$0.75billion in 2022Q4, owing to inflow of fresh equity, particularly to the telecommunications sector.

Net Acquisition of Asset

Aggregate financial assets recorded a disposal of US$1.30billion, in contrast to an acquisition of US$1.09billion in 2022Q4. The development reflected a higher depletion in reserve assets and the withdrawal of foreign currency deposits by banks and the general government. Other investment assets recorded a significantly lower net acquisition of US$0.24billion, compared with US$1.70billion in 2022Q4. Following the Bank's effort to enhance liquidity in the foreign exchange market and meet balance of payments needs, reserve assets were depleted by US$1.62billion, relative to US$1.11billion in 2022Q4. Acquisition of FDI asset was low at US$0.02billion, compared with US$0.27billion in the preceding period.

2.4.3 External Debt

Public Sector External Debt

Nigeria’s public sector external debt stock and external debt service payment at the end of December 2022 stood at US$41.69billion (32.1 per cent of GDP) and US$0.80billion, respectively. A breakdown showed that the multilateral loans, from the World Bank, International Monetary Fund, and African Development Bank Groups, amounted to US$20.2billion, accounting for 48.5 per cent of the total. A total of US$15.62billion or 37.5 per cent of the total was borrowed from commercial sources in the form of Euro and Diaspora Bonds. Loans from bilateral sources was US$5.07billion, or 12.2 per cent of the total, while promissory notes were US$0.55billion, or 1.3 per cent of the total debt stock.

The external debt service payment stood at US$0.31billion at end-December 2022, relative to US$0.80billion in the preceding quarter. A breakdown showed that the principal repayment was US$0.09billion, accounting for 29.7 per cent of the entire payment. Interest payments totalled US$0.19billion, or 62.4 per cent of the total, while other payments made up the balance. An analysis of interest payments showed that interest payments on commercial borrowings accounted for 77.3 per cent of the total at US$0.15billion, while multilateral institutions accounted for 16.4 per cent of the total or US$0.03billion. Interest payments on bilateral loans accounted for the balance.

2.4.4 International Investment Position (IIP)

International Investment Position

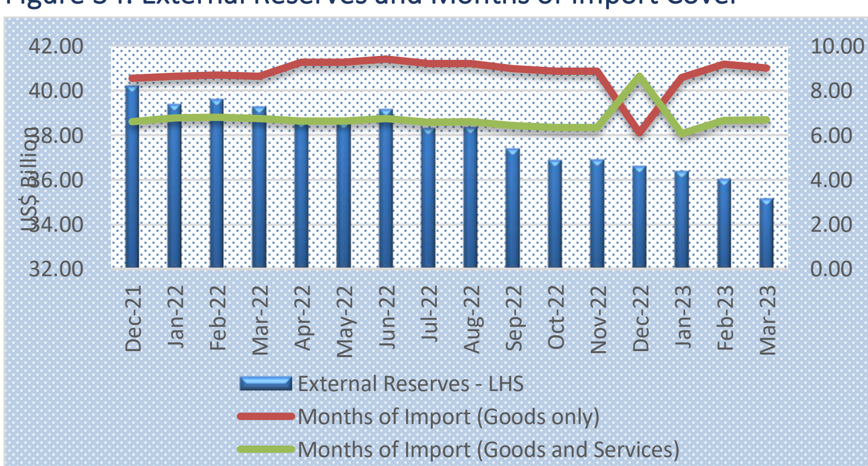
Nigeria's International Investment Position recorded a lower net financial liability of US$76.62billion. The stock of financial assets decreased slightly to US$108.16billion at end-March 2023, compared with US$109.14billion, due, largely to the 4.0 per cent decrease in reserve assets. The stock of portfolio investment assets remained unchanged at US$3.57billion, relative to the preceding quarter, while that of direct investment assets decreased slightly by 0.1 per cent to US$13.65billion, from its level at end-December 2022, due to lower equity investment by residents. Other investment assets increased marginally by 0.6 per cent to US$52.45billion from US$52.13billion in 2022Q4.

The stock of financial liabilities decreased by 1.2 per cent to US$184.78 billion, compared with US$186.99billion at end-December 2022, due, largely to the decrease in the stock of other investment and portfolio investment liabilities. The stock of other investment and portfolio investment liabilities decreased by 4.0 and 3.4 per cent to US$56.75billion and US$34.95billion, from US$59.12billion and US$36.17billion, respectively. However, the stock of direct investment liabilities increased by 1.4 per cent to US$89.72billion, from the level at end-December 2022.

2.4.5 External Reserves

The external reserves remained above the standard benchmark of 3.0 months of import cover. The international reserves stood at US$35.14billion, relative to US$36.61billion at end-December 2022. The level of external reserves could cover 6.68 months of import for goods and services or 9.01 months of import for goods only.

Figure 34: External Reserves and Months of Import Cover



Source: Central Bank of Nigeria

A breakdown of the external reserves showed that the share of CBN was US$34.20billion; Federal Government, US$0.94billion; while the Federation accounted for the balance of US$0.007billion. In terms of currency composition, the US dollar was US$26.19 billion, (74.5 per cent); Special Drawing Rights US$5.08billion (14.4 per cent); Chinese Yuan US$3.48billion (9.9 per cent); British Pounds US$0.20billion (0.6 per cent); Euro US$0.19billion (0.6 per cent); while other currencies accounted for the balance.

2.4.6 Foreign Exchange Flows through the Economy

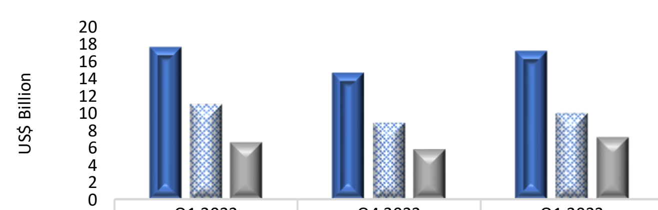
The economy recorded a higher net foreign exchange inflow of US$7.20billion. Foreign exchange inflow into the economy increased by 17.5 per cent to US$17.18billion from US$14.62billion in the 2022Q4. Foreign exchange inflow through the Bank increased to US$7.17billion, from US$6.21billion in the preceding quarter. Foreign exchange inflow through autonomous sources increased to US$10.08billion from US$8.41billion in the preceding period.

Foreign Exchange Flows through the Economy

Foreign exchange outflow through the economy increased by 12.8 per cent to US$9.98billion, relative to US$8.85billion in the 2022Q4. Outflow through the Bank increased by 17.9 per cent to US$8.86billion from US$7.51billion in the preceding quarter. However, autonomous outflow fell by 16.2 per cent to US$1.12 billion from US$1.34billion in the preceding quarter.

Consequently, net foreign exchange inflow through the economy increased by 24.7 per cent to US$7.20billion from US$5.78billion in the preceding quarter. Similarly, net inflow through autonomous sources rose to US$8.89 billion from US$7.08 billion in the preceding quarter. However, a net outflow of US$1.69billion was recorded through the Bank, compared to a net outflow of US$1.30billion in the preceding quarter.

Figure 35: Foreign Exchange Transactions through the Economy



	Q1 2022	Q4 2022	Q1 2023
Inflow	17.62	14.62	17.18
Outflow	10.98	8.85	9.98
Netflow	6.64	5.78	7.20

Inflow Outflow Netflow

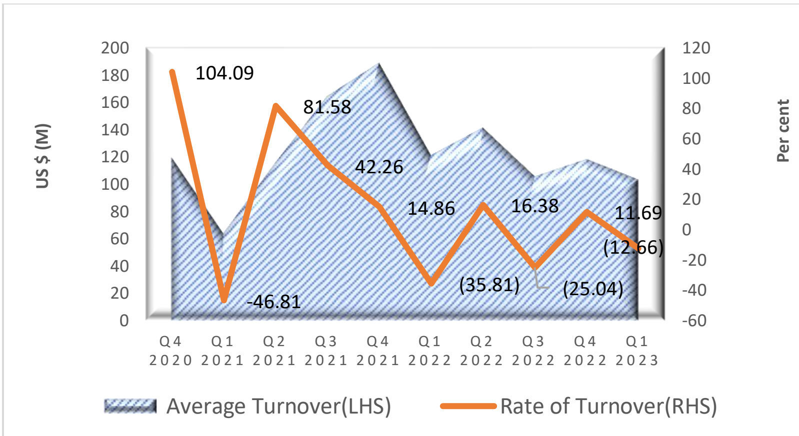
Source: Central Bank of Nigeria

The average turnover at the I & E window of the foreign exchange market decreased by 12.7 per cent to US$0.10billion, relative to US$0.12billion in 2022Q4.

Average Exchange Rate

The average exchange rate of the naira per US dollar at the I & E window was ₦460.93/US$, compared with ₦445.71US$ in 2022Q4.

Figure 36: Turnover in the I&E Foreign Exchange Window



Source: Central Bank of Nigeria.

3.0 ECONOMIC OUTLOOK

3.1 Global Outlook

The outlook for global economic growth in 2023 remains pessimistic on account of tight financial conditions, geo-political tensions and fragmentation, and macroeconomic uncertainties that continued to trail the Russia-Ukraine War. The outlook is crowded by high debt levels constraining critical investments and other fiscal operations in several Emerging Market and Developing Economies (EMDEs). Accordingly, the IMF projects a softening of global growth to 2.8 per cent in 2023, from an estimated 3.4 per cent in 2022. In the Advanced Economies (AEs), growth is projected to slow to 1.3 per cent in 2023 from 2.7 per cent in 2022, reflecting the effects of the aggressive rate hikes, and supply-chain disruptions resulting from the economic sanctions imposed on Russia. Meanwhile, growth prospect in EMDEs is projected to be more robust at 3.9 per cent in 2023, despite external headwinds. The outlook is predicated on expectation of more resilient domestic demand in India and some parts of Latin America, as well as the reopening of China. However, the growth projection is 0.1 percentage point lower than the estimated performance in 2022.

Global inflation, although elevated, is expected to moderate to 7.0 per cent in 2023 from 8.7 per cent in 2022. The downward projection, partly, reflects lower global food and commodity prices, including fuel and the cooling effects of monetary policy tightening across several central banks. Nonetheless, the gains to price moderation could be truncated and inflation turning out more persistent than anticipated if the Russia-Ukraine war intensifies, resulting in another rounds of spike in food and energy prices.

3.2 Domestic Outlook

Nigeria's economic growth outlook remains positive in the near term subject to some downside risks. The positive outlook is predicated on continued recovery of crude oil prices, ramp up in crude production, rebound in manufacturing activities and sustained policy support. Furthermore, expected discontinuation of the costly subsidy scheme on PMS by end of June 2023, in line with the Petroleum Industry Act (PIA), is expected to free up more resources for investment in growth-enhancing sector. However, contraction in global demand, persistent security challenges, lingering crude oil production bottlenecks as well as infrastructural deficit are major headwinds to domestic growth prospects.

Inflationary pressures are expected to moderate in the next quarter, due to relative stability in the exchange rate, tight monetary conditions, and improvement in global supply chain. This outlook is anchored on the Bank's aggressive monetary tightening and the crystallisation of various supply-side interventions by the Bank and the FGN in growth-enhancing sectors of the economy. However, a total discontinuation of the subsidy scheme on PMS by middle of the year and external headwinds, could have system-wide effect and add pressure on headline inflation.

Barring any unanticipated spending shocks, a positive fiscal outlook is envisaged in the near-term, with expected uptick in crude oil prices, improvement in domestic crude oil production, expansion in economic activity and zero PMS under-recovery payments. The economic climate is expected to adjust southwards, as businesses shift into the new climate and the softening of the naira redesign policy measures propel aggregate demand. The ensuing quarter coincides with the mid-year filing of tax returns by companies in Nigeria, raising hopes of higher government receipts. In the absence of any unforeseen spending shocks, fiscal conditions are expected to improve in the near term.

There is positive prospect for Nigeria's external reserves on the back of favourable crude prices and expected cessation of PMS subsidy payments by end 2023Q2. However, lower than expected crude oil-related earnings on account of production bottlenecks and increased cost of external debt servicing could weigh down reserves' accretion.